Second Annual

Report to

the President and Congress

by

The National Women's Business Council

December 1990

This Report is Submitted Pursuant to
Section 406 of the
Women's Business Ownership Act of 1988
(PL 100-533)

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1
Introduction

When Rosie the Riveter compelled women into the work force in the 1940's with her beckoning poster *AMERICA NEEDS YOU* – the American economy was changed forever.

In the last two decades, women have taken two-thirds of the new jobs in this country. By the year 2000, women will make up 47% of the labor force. Eighty-four percent of them will be employed in the service/information sector and 51% will be employed by small businesses.

Women will not only be implementing the dreams of other business owners, they will also be acting on their own enterprising dreams. In 1990, over 30% of small businesses (not including full corporations) were owned by women, and the U.S. Small Business Administration anticipates that women will own 50% of the small businesses in America in the 21st century. Rosie has become an entrepreneur. Instead of welding rivets she is building businesses. Her entrepreneurial motto, *AMERICA NEEDS YOU,* is as true today for the American economy as it was 50 years ago.

The challenge of the '90s for American companies is to compete aggressively for world markets while maintaining market position domestically. The most significant and underutilized economic resource in America today is the woman entrepreneur. In no other country have women embraced business ownership in such large numbers. The federal government and America's corporate leadership need to acknowledge this phenomenal

growth and see it as an opportunity for real economic development–an opportunity to become partners and investors in economic growth. This partnership can provide such necessary tools to women business owners, as greater access to capital for expansion and seasoned managerial partners. This investment in women-owned businesses can assist the expansion of these companies at the rate their markets demand.

International joint ventures, overseas partners and opportunities are critical to the economic vitality of American business. However, while government and industry are investing heavily with time and resources to establish these connections, they need to examine simultaneously the investment opportunities available at home for co-venturing with companies owned by American women.

Megatrends 2000[1] forecasts that one of the most important trends influencing our lives in the '90s is the "Decade of Women in Leadership; the Decade of Women in Business." The influence and impact that women had in the '80s in American corporations will be carried over in the '90s into business ownership. The interactive leadership style that restructured corporate America in the '80s will change the way business is done in America in the '90s as more women become business owners and empower their companies and employees[2]. In the '80s, management analysts and consultants agreed on the imminent need for corporations to restructure their cultures to respond rapidly to changing economic situations. Recommendations were to:

- Develop more flexible, process-oriented forms of management;
- Adopt less linear, more intuitive types of thinking;
- Be more tolerant of chaos, apparent inefficiency and the occasional inconsistencies required for innovation;
- Modify hierarchical, pyramid-like organizations into flatter structures that are interrelated in a variety of ways;
- Encourage more personal forms of communication;
- Build more empathy and concern for people, both staff and clients, into business communications.[3]

These subtle changes began to occur in American companies as American management styles were apparently influenced by our strongest competitor – Japan. Theory Z[4] – the Japanese style of management – became the new methodology, the dominant ideology of business leadership. However, the actual transformation taking place in corporate America in the '80s was that as women rose to management positions the workplace became more flexible and workers themselves displayed more intuitive thinking, empathy and personal concern. The workplace took on a different look and feel. This subtle yet transformative influence of women business leaders has been largely unrecognized and unacknowledged

by American industries. It wasn't just Theory Z that influenced the management style of corporate America; it was "Theory W,"[5] the leadership style of women. "The ways women lead"[6] offer the U.S. an unrecognized competitive advantage in the global economy. "Theory W" can transform America's businesses if government and industry are willing to co-venture with women in leadership. The American dream can become a partnership between men and women whose leadership styles shape flexible, proactive companies competent to enter markets abroad and at home competitively.

By sharing information, power and resources, women pursued their own American dream of business ownership this past decade. The newly released 1987 Census reports that women start businesses at a rate twice as fast as men.

- Women-owned business starts increased from 2,612,621 in 1982 to 4,112,787 in 1987, an **increase of 58%.** (This increase reflects a substantial under-count since it does not include full corporations owned by women.)
- By industry, the service sector posted the largest gain, from 1,212,940 in 1980 to 2,542,337 in 1987, an annual increase of 15.7 percent.
- Between 1982 and 1987 the fastest rate of increase occurred in transportation, communications and public utilities, which together increased by 30.3 percent.
- Gross receipts **increased 183 percent** from $98.3 billion to $278.1 billion.

Over the past 20 years, the woman entrepreneur has learned to succeed in an unreceptive environment by developing strategic and competitive skills and building partnerships often without formal authority or control over resources.

In 1979, a Presidential report prepared by Charlotte Taylor entitled "The Bottom Line: Unequal Enterprise in America" reported that women business owners experienced barriers to entrepreneurship in the following areas:

1. Access to commercial credit.
2. The virtual exclusion of women-owned businesses from government procurement activities.
3. The need for management and technical training to fast-track women into the marketplace.
4. The inability to develop strategic public policy because of inadequate information and data on women-owned business.

These same barriers were identified 10 years later in late 1988, when the Honorable John J. LaFalce, Chairman of the Committee on Small Business, U.S. House of Representatives, held congressional hearings exploring the economic growth and impact of women business owners and what barriers exist to their prosperity. The hearings reaffirmed that the *status quo* of the '70s had become the *status quo* of the '80s for women-owned businesses.

At the conclusion of these hearings the committee issued a report entitled "New Economic Realities, the Rise of Women Entrepreneurs," which stated:

> "At a time when America is suffering from huge budget and trade deficits - and from a chronic failure to significantly increase productivity - it is vital for public policy makers to seek means to catalyze the tremendous pool of talent and energy these women represent. These women are part of the most educated generation of women that has ever existed. They are a gold mine of human capital. No other nation, including Japan, is anywhere close to the United States in maximizing the economic and creative potential of over 50% of the population who are women. It is vitally important for our future competitiveness that public policy, in partnership with the private sector, affirm and assist this economic revolution. As part of this effort, it is essential that remaining barriers to women entrepreneurship be eliminated."

As a result of the hearings and the report, legislation was drafted and HR5050 was introduced on July 14, 1988. With strong bipartisan support and with unprecedented speed the bill was signed into law by President Reagan on October 25, 1988, a day that again said ***AMERICA NEEDS YOU.*** This time it wasn't Rosie the Riveter speaking, it was the President and the United States Congress.

One of the most significant recommendations of this landmark legislation (PL 100-533) was the establishment of a Congressional Advisory Council to develop a comprehensive women's business initiative. The membership of the National Women's Business Council (**NWBC** or **the Council**) is made up of key public sector leaders from the U.S. Department of Commerce, the Federal Reserve Board and the Small Business Administration. The leadership of the U.S. House of Representatives and the Senate appointed six women entrepreneurs. (See Appendix A; Biographies of NWBC Members.) The Council has accepted the charge of a Congressional Advisory Council–to develop recommendations which establish a national policy supporting women entrepreneurs. This Council is serving as the central point of communication and influence for women entrepreneurs in America, working to position them for leadership and economic partnership in fulfilling the American dream.

2
Council Mission

Duties of the Council are prescribed in Title IV of the Women's Business Ownership Act of 1988 (PL 100-53).

Section 402 of the Act states:

"The Council shall review -

1. the status of women owned business nationwide, including progress made and barriers that remain, in order to help such businesses enter the mainstream of the American economy;
2. the role of the Federal Government and state and local governments in assisting and promoting aid to, and the promotion of, women-owned businesses;
3. data collection procedures and availability of data relating to
   A. women-owned businesses;
   B. women-owned small business, and
   C. small businesses owned and controlled by socially and economically disadvantaged women; and
4. such other government initiatives as may exist relating to women-owned business including, but not limited to, those related to Federal procurement.

Based upon its review, the Council shall...recommend to the Congress and the President:

1. new private sector initiatives that would provide management and technical assistance to women-owned small businesses;
2. ways to promote greater access to public and private sector financing and procurement opportunities for such businesses; and
3. detailed multi-year plans of action, with specific goals and timetables, for both public and private sector actions needed to overcome discriminatory barriers to full participation in the economic mainstream.

To accomplish its goals, the Council may hold hearings, hear testimony, receive evidence and consider such evidence as the Council considers appropriate."

3

Evaluation of the Status of Women Business Owners

Government's role at this strategic moment is to build a strong and competitive economy which structures opportunities for women to participate fully in the free enterprise system.

The world was transformed when the Berlin Wall came down. As the leaders of American corporations venture into the European Community, Eastern Europe, the increasingly pluralistic Union of Soviet Socialist Republics, and Asia, they are supported by their Federal and state governments. Through monetary policies, financing programs, trade missions, and information services, government structures opportunity as the world changes and its economies become global.

Similarly, when the domestic world changes, governments can encourage citizens to organize change into opportunity. Today, American women own businesses that they have created with minimal assistance from the public or private sector. To compete fully in the American and global economy, women entrepreneurs need the infusion of capital, management expertise and technical assistance to invest in productivity and to enter into new markets. They need government to reduce the barriers to market access and to organize financial methods that satisfy the cash flow and capitalization requirements of entrepreneurial business operations.

Money, Markets, Management: The Three "M's" of Economic Policy

Today's Workforce: More than 53 million women age 16 and over are in the U.S. workforce today, according to U.S. Department of Labor estimates. Women account for 44% of the entire U.S. workforce and entered more than 1.5 million jobs in 1988. Of the

women that are in the labor force, 74% work full-time. Sixty-three percent of all mothers work and 55% of all married women work. Fifty-eight percent of black women work, 55% of white women work and 52% of Hispanic women work.

Money

According to the U.S. Department of Commerce's 1987 Census Report, receipts from businesses owned by women **increased 183%** from $98.3 billion to $278.1 billion between the years 1982-1987. Full corporations, the larger and more profitable businesses owned by women are not included in this count. More than three years have passed since that dramatic rise in receipts, and we expect the 1992 Economic Census to show a significantly greater increase. Of that $278 billion, $164 billion was generated by the 10 largest major industry groups for women-owned businesses. These industry groups are in the wholesale, retail and service sectors. Of that $164 billion, about 12 percent, or $19 billion, was generated by business service companies (SIC code 73).

Market

Skillful delivery of real goods and services into a global, yet complex regional marketplace is the basic activity required of American business to continue to feed our national economy, particularily while we are experiencing sectoral and regional depressions. American businesswomen display their greatest strengths in the marketplace. Women-owned companies are experiencing their most significant growth and are most successful in wholesaling nondurable goods ($24 billion in 1987 sales), miscellaneous and automotive retail ($42 billion), business services ($19 billion) and wholesaling durable goods ($19 billion). At the same time, manufacturing operations have become a very important segment of the women's business market (11% or $31 billion).

Management

What these numbers mean is that women are managing their marketplaces with exceptional efficiency. During the 1980s, when the financial and real estate sectors drove the economy and the junk bond market leveraged paper wealth, women-owned companies were delivering practical goods and services to the marketplace. Today, as *BusinessWeek* recently reported, "The real estate collapse, the related banking problems and the very high level of debt make this a finance-led recession." *(December 4, 1990)*. At risk of looking like a house of cards lacking both foundation and structural resilience, the American economy can be rescued and revived by its entrepreneurs, specifically by women entrepreneurs.

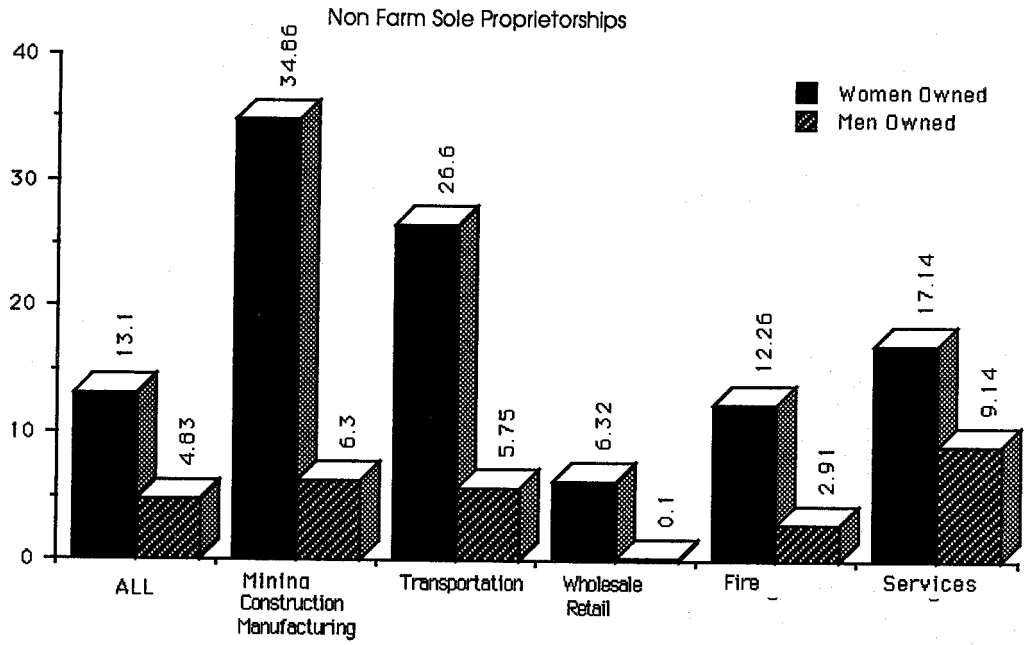
The National Economic Status of Companies Owned by Women

Comparison of the economic sectors occupied by companies owned by women is displayed in the following charts and graphs. The numbers of firms owned by women is compared using data from 1977 and 1987 (U.S. Department of Commerce, Economic Censuses).

U.S. Department of Commerce, Economic Censuses

The gross sales of companies owned by women is compared for the five years, 1982-87. The women's business market is a huge economic sector, bridging all the major industries in the country.

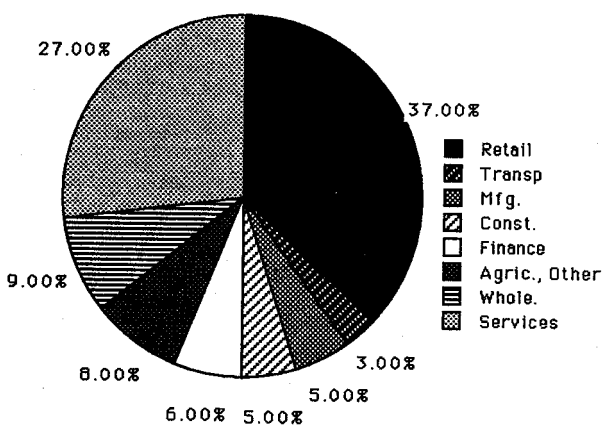
Annual Growth by Industry, 1982 - 1987 (Percent)



Growth of Women-Owned Businesses

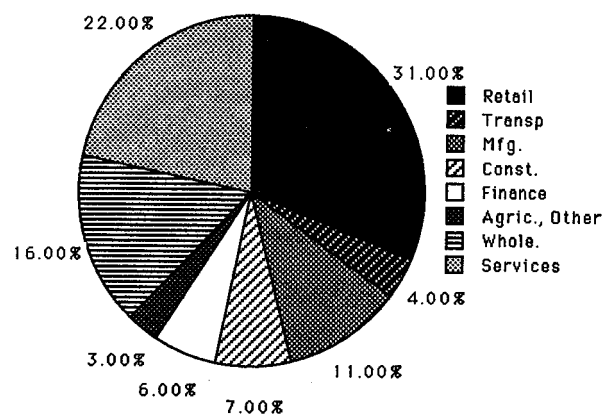
Women-owned businesses are the fastest growing segment of small business in the nation. Before 1970, women owned 5% of all U.S. businesses. Today women own over 30% of all businesses; 50% of all retail businesses; and 7% of all service companies. According to the Bureau of Census, U.S. women-owned business grew 57.5% from 1982 to 1987, from 2.612 million in 1982 to 4.614 million in 1987. Receipts grew 183% during the same time period, from $98.3 billion in 1982 to $278.1 billion in 1987.

1982 Sales- U.S. Women-Owned Business (Percent)



1982 - $98 Billion

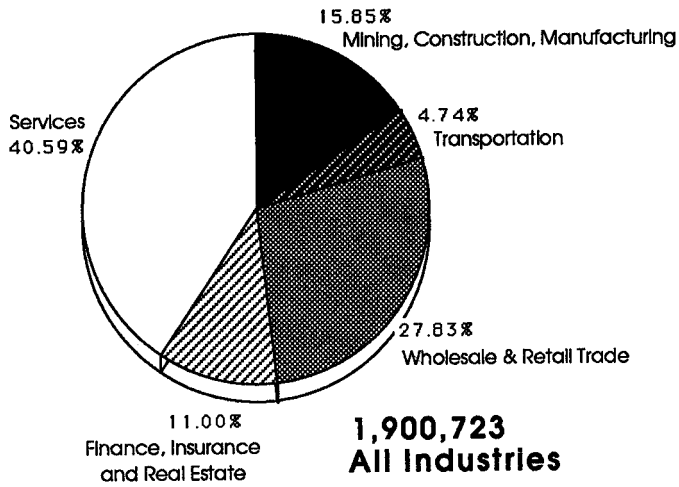
1987 Sales - U.S. Women-Owned Business (Percent)



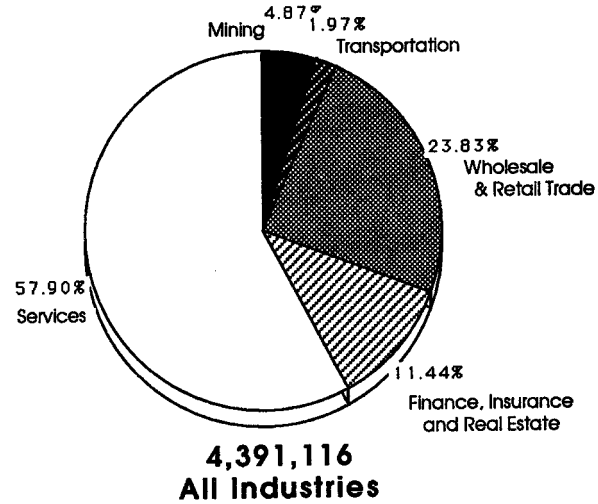
1987 - $278 Billion

Women business owners are expanding into the "nontraditional" industries at a rate faster than they are entering the retail trades. From 1980 to 1987, the number of U.S. women-owned businesses in the construction industry increased from 58,991 in 1982 to 94,308 in 1987. The number of women-owned businesses increased from 44,909 in 1982 to 93,960 in 1987 in manufacturing; from 38,944 in 1982 to 79,768 in 1987 in transportation and utilities; and, from 32,059 in 1982 to 82,513 in 1987 in the wholesale trade.

1982-Women-Owned Business by Type (Percent)



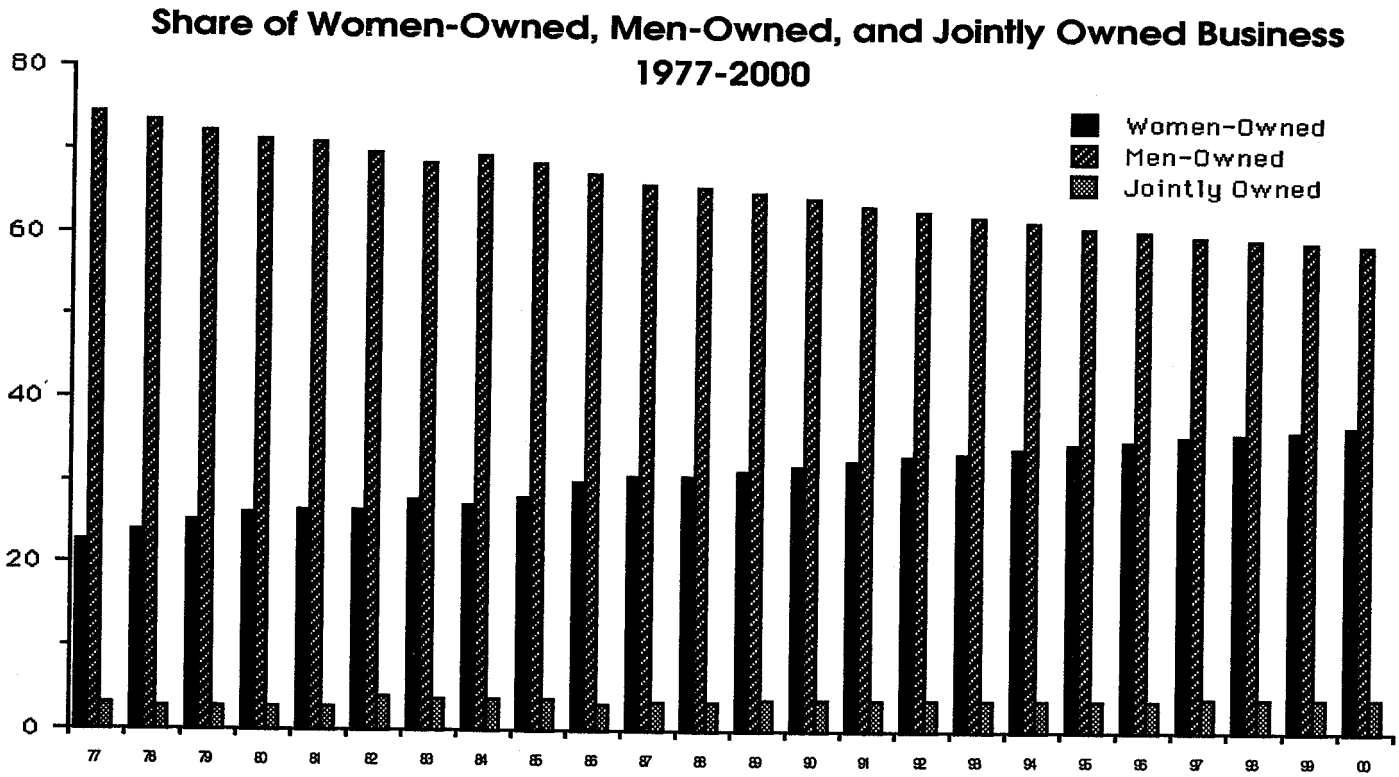
1987-Women-Owned Business by Type (Percent)



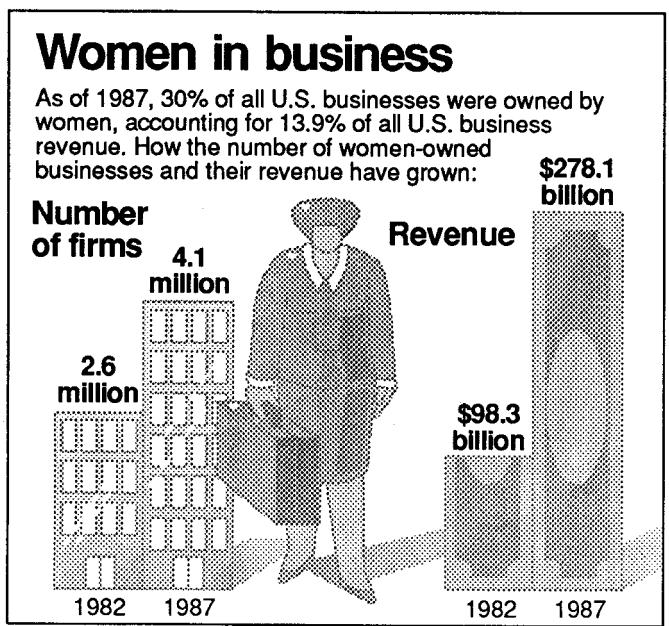
The national data characterize the woman business owner as young (89% under 45 years of age), married (71%), college educated (52%), having extensive work experience (63% with more than 5 years, 46% with more than 10 years) and little or no experience in a management position before opening her own business (55% with no experience, 20% with 5 or less years). The percentage of owners' income derived from business varies; 23% derive 100% of their income from the business, 56% derive one-half or less of their income from the business.

National data characterize the woman-owned business as new (44% acquired in the last three years, 65% in the last 6 years) and owned by the original founder (73%). The amount of starting capital required to start or acquire a business was (for 72% of women business owners) less than $5,000.

Fewer than one in four women-owned businesses failed during a five-year study conducted by the University of Oklahoma. One of the key reasons cited was the management style of women: they tend to deal better with people. The national average of business failures within the first six years is 60%.



USA TODAY
November 1, 1990



4
Council Activities

The National Women's Business Council conducted its first public hearing on January 23, 1990. (See Appendix B, Schedule of NWBC Hearings and Activities).

As in the initial stages of starting a business, the Council used this first year to develop a strong basis for policy recommendations by conducting research. It has reviewed the status of women business owners through testimony from expert witnesses, government officials and entrepreneurs and by analyzing related surveys, reports and recommendations.

Simultaneously, the Council has been building its operational procedures, market strategy, mission and vision.

All of this effort has created a comprehensive strategic plan clearly defining the duties and responsibilities of each Council member. The goal of the strategic plan remains the formulation of a national policy promoting successful enterprise among women.

The Council's Report on its activities in 1990 reflects the strategic, analytical and creative thinking of this Congressional Advisory Council, seeking with global vision and a domestic pulse to produce the best policy in America for women entrepreneurs.

Schedule of NWBC Hearings and Activities

January 23, 1990	Washington, DC	Council Public Hearing
July 9-10, 1990	Los Angeles, Calif.	Council Public Hearing
August 28-30, 1990	Belmont, Maryland	Council Strategic Meeting Working Session
September 10-11, 1990	Chicago, Illinois	Council Public Hearing
November 14-15, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
November 28, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
December 4-5, 1990	Washington, DC	Council Meeting, one-day closed meeting and one-day open meeting

5
Work Plan

Data Collection

Saundra Herre, Chairperson

As a photograph is an exact representation of particular objects at a specific segment of time, so, too, do the current methods of data collection give a "snapshot" of the economic contributions of the woman-owned business. It is unfortunate that the "picture" shows only a portion of the total (full corporations owned or operated by women are not included in the count), and the "photo" is out of focus since the information lags from five to ten years.

GOAL: **Develop a comprehensive data collection system which accurately reflects the economic and social impact of women business owners.**

The National Women's Business Council will:

1. Make recommendations to improve the data sources about the economic and social impact of women business owners and;

2. develop legislative recommendations for filling in the data gaps that presently exist.

The data presently available on women businesses owners are from multiple sources (which use different criteria to define a woman-owned business) are outdated, and over-

Data Collection

look segments of the women-owned business population. The women business owner statistics frequently cited are often incorrect and on the low end with numbers whose origins are questionable (i.e., fourth generation derivations). Due to the lack of good data, it is difficult to reflect accurately the problems and needs of women business owners or to justify potential solutions. The goals of this subcommittee reflect the need for current, statistically robust information.

Data Collection 1:

Inventory current useful data sources –Federal, state and private sector and establish a central database of women-owned businesses.

What is gathered, how it is gathered and who is gathering all of the existing information related to women business owners is unclear. A report from the Council due in the **fourth quarter of 1991** includes a "sketch" or "snapshot" of the data that currently exists from the Federal and state governments and the private sector. Overall, when information is collected, it is neither complete or timely. The Council goal is to collect data on women-owned business that will show the real economic impact on the economy and the role of women entrepreneurs as present and future partners in the economy of the nation.

Several sources within the Federal government provide information on women business owners. The Census Bureau and SBA compiled a record of those agencies with an inventory to determine what set-aside programs for women business owners presently exist. Agencies to be surveyed in the inventory will include:

- **Census Bureau,** whose five-year economic survey is outdated by the time the information is compiled (e.g., Characteristics of Business Owners Report (CBO)).
- **Internal Revenue Service** (IRS), whose privacy laws may present problems.
- **Bureau of Labor Statistics,** whose Office of Women and Work may be more closely related to employee benefit, child care issues.
- **Department of Transportation,** which presently requires certification for women business owners,
- **Small Business Administration** (SBA).

The SBA is presently compiling a mailing list of the person designated in each state as the "Women's Business Advocate" or the equivalent. Information for 28 of the states is presently available. SBA is working on the missing 22 states and will provide the Council with the most updated list and append the list as the information is collected. It is likely that the list will need to be revised on a yearly basis due to changes in state personnel (particularly after elections - advocacy positions are often filled by political appointment). This task will be completed by the **first quarter of 1991.**

Data Collection

A joint project to be conducted by the Council and SBA, to be completed by the **third quarter o 1991**, is to query state governments about the data availability and type of gender tagging that presently exists in their states. Michigan was described as a state that seems to be the most complete in requiring information on women business owners. Although more closely related to procurement, an inventory of the set-aside programs for women business owners will take place concurrently. The information to be collected falls under the auspices of different agencies (e.g., Secretary of State, State Commerce Department). The National Governors Association will be able to furnish Secretary of State mailing labels and the Women's Business Advocate will help expedite the project. The completion date for this step is the **first quarter of 1991.**

Gathering information from the private sector will be done in two parts. The Council Committee has already mailed a letter requesting feedback from all members of Congress regarding the status of women business owners within their constituencies and from various trade associations (June 1990.) Dun and Bradstreet, McGraw Hill and the Women's Yellow Pages (a regional, non-computerized effort) are among private sector sources of additional information. The second part of the private sector data query is in the form of a formal survey. Circulation of a survey to private sector firms will be completed by the **third quarter of 1991.**

The final task for the report is analyzing the current availability of data that was gathered from the survey of Federal government agencies and private sector entities. From this analysis, plans and recommendations to fill the gaps of missing information will be made. To be completed by the **fourth quarter of 1991.**

The Council recommends the establishment of a central data base for women-owned businesses that will be current and include all segments of the women business owner population (i.e., full corporations). There is presently no consistent method for gender tagging with the existing databases. A central database will overcome that problem. One foreseeable hurdle is the issue of privacy for all entries on the database. Only Census and the IRS legislatively possess unwaivable privacy protection. This long-term goal will be completed by the **fourth quarter of 1993.**

Data Collection 2:

Include full corporation in data collection of women-owned business data.

Most of the presently existing databases miss or do not count women-owned full corporations. Although full corporations only account for a modest fraction (an estimated 15%) of all U.S. businesses, they have tremendous social and economic impact (accounting for an estimated 90% of all employment and 80% of total receipts). Because of the impact these businesses have, it is important to have a better understanding of the ownership and/or control of these businesses by women.

Data Collection

Circulating private data sources to determine the feasibility of gender tagging will be done by the Department of Commerce and SBA. Possible private sector sources include Dun and Bradstreet, and McGraw Hill. The Department of Commerce and SBA will also examine the feasibility of using established government instructions such as the Tax Check or the Quinquennial Census (this particular task is also related to Data Collection Goal 3). The feasibility of any motion or recommended action that will potentially impede state action (e.g., requiring a uniform definition of a woman business owner) is one difficulty that will need to be addressed. Both tasks are targeted for completion by the **third quarter of 1991.**

The National Women's Business Council will discuss issues, problems, and needs with a variety of organizations. This is a moderately difficult task that will require physically "...sitting down and getting their opinions and ideas." Specific organizations mentioned include the National Conference of State Legislators (NCSL), the National Governors Association (NGA), National League of Cities, and local Chambers of Commerce. The SBA Advocacy Conference held in Atlanta on December 10, 1990 was an ideal setting to begin this task. The date of completion for disseminating the information garnered from these sessions is the **third quarter of 1991.**

The Council will draft a set of recommendations regarding the options for implementing a corporate data collection. This task will be completed by the **fourth quarter of 1991.**

Data Collection 3:

Analyze the census surveys (Quinquennial Census or Economic Census and economic surveys).

The Quinquennial Census is the best existing record of women business owners. The information gathered for the Quinquennial Census and other Census Bureau surveys will be examined. One of the biggest problems with the Quinquennial Census is the turnaround time. This particular Census takes place every five years, the data is tabulated and available to the public three years after, thus the information is already out-dated. The Council will investigate the Economic Census as a means of gender tagging and obtaining more up-to-date information.

Census and SBA will recommend to the Council specific characteristics of business owners that should be included as part of the economic census. Completed by the **first quarter of 1991.** The Council will provide the Census Bureau with recommendations for changes in the next Economic Census. The short timeframe is necessary if the recommendations are to have any effect on the 1992 Economic Census. Completed by the **second quarter of 1991.**

Data Collection

Census will develop a program for the 1992 intercensal data update as part of the Characteristics of Business Owners (CBO). Conducting this project in conjunction with the President's Commission on Minority Business Development will be explored. To be completed by the **second quarter of 1991.**

Data Collection 4:

Analyze the Decennial census.

Although the Decennial census is a household count, it is the most complete set of data available in the country. Home-based businesses are an important segment of the population of businesses and among the fastest growing. With the increases in technology (e.g., computers, modems, fax machines) conducting business out of one's home opens up a whole new range of work force and business opportunities.

Census will explore and report to the Council the need or possibility of obtaining home-based business data through the Decennial Census or the Current Population Survey (CPS). The CPS is a survey that samples a number of households and is conducted at frequent intervals throughout the decade. The CPS may be a better vehicle for obtaining and gender tagging home-based businesses.

Procurement

Marilu Meyer, Chairperson

Through job creation and market expansion, it is clear that women business owners are essential to the health and economic viability of the nation. In order to see their businesses grow, women owners must constantly seek new markets and opportunities for business expansion. Government procurement is an excellent means of accomplishing this goal.

The issue of government procurement for women-owned businesses requires deep commitment and resources for the program to work. Without commitments and resources, any program for women-owned business in government procurement is doomed to fail. The Council will explore with the Minority Commission on Business Development Federal procurement issues. The Council recommends that Congress and the Executive Branch lead the way in commitments and resources for women-owned businesses in doing business with Federal, state and local government agencies.

GOAL: **Increase public and private procurement opportunities for women.**

The National Women's Business Council will explore options that increase the procurement opportunities for women business owners. Presently, mandates are not in place that effectively extend contracting goals required of primary contractors to women-owned businesses.

Procurement 1:
Document Federal procurement programs and analyze effectiveness of goaling process.

Procurement 2:
Develop legislative recommendations for increasing awards to women business owners.

Procurement 3:
Develop a monitoring and evaluation process.

Two types of awards exist within the Federal government - *procurements* and *grants*. The SBA presently sets "goals" for agency procurement budgets, a process that targets a percentage of the total awards budget to women-owned businesses. Agencies are not required to set goals for women business owners and legislation is not in place to hold agencies accountable for meeting any established goals. Seven out of the top 17 agencies presently have voluntary subcontracting goals for women business owners. The SBA does not set goals for grants but recommends that agencies follow the requirements developed for procurement. The Department of Transportation is the only agency that establishes goals that are passed to the grantees.

Procurement

The difference between the two types of awards affects the subcontracting opportunities for women business owners. When awarded a contract, contractors must prepare a subcontracting plan. Grants are not subject to these conditions. To increase the subcontracting opportunities for women business owners, the Council recommends that the goaling process be extended to grantees as well.

The Council decided to first document what Federal programs are available for women business owners (to be completed by the **first quarter of 1991**). The SBA will assist by collecting this information. The Council will develop options for increasing award opportunities for women business owners by extending goals to grantees and contractors. The Council noted that some form of legislation has already been written and that developing current legislation would be a matter of locating and revising what already exists. The Council will have its version of legislative recommendations completed by the **second quarter of 1991.** A monitoring and evaluation process to determine the effectiveness of implemented legislation will be developed by the **first quarter of 1992.** The Council recommends institutionalizing the SBA goaling process either through executive order or legislation, particularly in the area of grants.

Procurement 4:

Make recommendations to improve the certification process.

The Council discussed several issues related to certification requirements. A fundamental certification problem is the absence of a widely recognized definition of what constitutes a woman-owned business.

The Council recommends that certification needs to be reviewed and options developed. An information source that will soon be available is a report on the certification of women business owners prepared by the General Accounting Office. Areas that the Council will to pay close attention to in this report are the definition of a women-owned business, self-certification and uniform certification. Completed by the **first quarter of 1992.**

Procurement 5:

Review penalty for misrepresentation and make recommendations.

The Council was also concerned about businesses falsely representing themselves as women-owned businesses. Misrepresentation may not be a significant issue presently because little preference is given to women-owned businesses. The Council recommended that the penalty for misrepresentation be reviewed. The Council expects to have this completed by the **first quarter of 1991.**

Procurement

Procurement 6:

Evaluate and develop ways to improve the PASS system.

The SBA has recently made improvements on the Procurement Automated Source System (PASS). The agency made efforts to increase the number of women-owned business represented in the system. The routine inquiry used to randomly generate five businesses for the viewer includes minority and women business owners. Finally, the program now gives users the name, address, and phone number of customers that have previously used the contractor. These changes should benefit women business owners even further as PASS gradually replaces the standard vendor books currently used by organizations.

The Council is interested in finding ways to improve the user acceptability of PASS, which continues to be poor despite the improvements that have been made over the years. The Council recommended that an examination of private sector and Federal agency usage of PASS be completed by the **first quarter of 1991**. Based on this information, the Council can then develop and evaluate ways to improve the usage of PASS, to be completed by the **third quarter of 1991.**

Procurement 7:

Examine effectiveness of the new law requiring government agencies to develop a forecast of contracts for each year.

Presently, most government agencies develop forecasts of their fiscal year contracts. In order to obtain agency forecasts, a request must be made to each agency. The Council noted that there is no central organization that collects all agency forecasts and that mechanisms are not in place to ensure forecast quality. A problem with prepared forecasts is that they are agencywide and not broken down into anything smaller, such as by region. Requesting agencies to become more specific with their forecasts actually goes against the current trend of preparing more general forecasts.

The Council will determine if it is feasible to extend these forecasts to prime contractors and grantees by requiring them to prepare subcontracting forecasts for minority and women-owned businesses. Expecting this information from contractors who obtain procurement contracts may not be unreasonable as they are already subject to set-asides and goals. Requiring the recipient of a grant to prepare forecasts would be far more difficult as this involves imposing Federal restrictions on how states spend allocated funds.

Procurement

The Council decided that an examination of agency compliance with current forecast law shall be targeted for completion by the **first quarter of 1991**. The Council will determine by the **third quarter of 1991** if it is feasible to extend the forecasting process to federal contractors and grantees.

Procurement 8:

Evaluate corporate goaling process and make recommendations for improvement.

Women entrepreneurs experience similar frustrations in trying to enter corporate markets as they do with government procurement. Most corporations lack a serious commitment to do business with women-owned firms. If a goaling process is in place, there are minimal evaluation and reporting requirements.

In order to create a collaborative economic partnership of the resources of corporate America with highly productive women owned firms the Council will:

- Interview corporations that have good track records with women business owners and develop strategies and recommendations for improvements from those that are successful. Completed by the **third quarter of 1991.**

- Determine the feasibility of providing incentives and/or advantages to corporations that are doing business actively with women-owned firms. Make recommendations for implementation. Completed by the **fourth quarter of 1991.**

- Explore the potential of an executive order to encourage corporate America to open up its marketplace to women business owners and make recommendations. Completed by the **fourth quarter of 1991.**

Access to Capital

Mary Ann Campbell, CFP, Chairperson

Access to capital, particularly for small-scale loans under $300,000, is difficult to secure. Many bankers feel the amount of paperwork required, as well as the small rate of return, is not worth bank time and effort. Therefore, when capital is secured, it is subject to higher interest rates. The majority of women and minority business owners have traditionally owned service, retail and wholesale companies. These businesses are the most difficult to collateralize and capitalize because of limited hard assets.

GOAL: **Improve access to capital for women-owned businesses.**

The National Women's Business Council will:

1. investigate and evaluate existing financing options and education programs and;
2. develop recommendations for improving access to capital for women-owned businesses.

Capital 1:

Investigate, improve and increase existing information and educational programs for women business owners.

Inventory programs related to either preparing or providing information to women regarding access to capital. The Council will obtain information from Federal government entities about their programs, specifically SBA, the Federal Reserve Board, Department of Agriculture, and the President's Commission on Minority Business Development. Trade associations will also be included in the survey. The Council and the SBA will work together to develop recommendations for new and improved educational programs. Completed by the **second quarter of 1992.**

The Council will review tax incentives for small businesses recently considered by Congress. Completed by the **fourth quarter of 1991.**

Capital 2:

Evaluate existing Federal and state finance programs as they may be used to support women business owners.

The Council will obtain from SBA updates on the SBA $50,000 Small Business Loan program from the private sector and trade associations. Completed by the **first quarter of 1991.**

Access to Capital

One complaint about the SBA $50,000 Small Business Loan program is the high burden of paperwork. The program obtains all information through the use of forms. In contrast, banks solicit information through the use of interviews, which reduces the applicants paperwork burden. There is no difference between banks and the SBA program in the quantity of information collected.

The Council has evaluated the paperwork requirements and will form a committee to suggest potential improvements to the SBA. Completed by the **first quarter of 1991.**

The Council will obtain and evaluate information on the existing Federal bonding programs. Agencies included are SBA, the Department of Defense (DOD), the Environmental Protection Agency (EPA), the Department of Transportation (DoT), and the Department of Agriculture (USDA). The Council will determine if women are awarded and utilizing the new preferred surety bonding programs. Recommendations for improvements will be made accordingly. Completed by the **third quarter of 1991.**

Capital 3:

Increase representation of women in all areas of bank finance (e.g., commercial loan officers and other areas of banking administration).

The Council has been meeting with trade association executives to gain their insight into the reasons and potential solutions for the lack of women in leadership positions and commercial credit in the banking industry and other areas of finance. The Council will explore mentoring and training for women who are employed or appointed in these positions (e.g., Board of Directors of banks and other financial institutions). The Council will discuss those issues with such organizations as the State Women Business Advocates, Financial Womens International and the National Women's Economic Alliance for their insight and involvement. Completed by the **first quarter of 1992.**

Capital 4:

Identify sources of credit for international business transactions (access to capital for exporting and importing).

The Council, will request the Export-Import Bank (EX-IM), the Overseas Private Investment Corporation (OPIC), and the Agency for International Development (AID) to identify sources for international credit and risk insurance and provide information on how to access to the international subcommittee. Credit programs of foreign nations will be reviewed and evaluated. Completed by the **first quarter of 1991.**

Access to Capital

Capital 5:

Improve access to capital for women-owned business with soft asset-based companies (service, wholesale, retail).

Historically, lending is based on tangible assets. Over 85% of women-owned companies have soft assets, making financing difficult and expensive. The Council has met with the SBA and the Federal Reserve and will meet with lenders and trade associations to investigate and recommend methods, incentives and regulatory changes to improve capital market investment in this sector. Completed by the **third quarter of 1991.**

Capital 6:

Explore and expand opportunities to exploit existing capital sources.

The Council will evaluate data and analyze financing opportunities for women-owned business and make recommendations. Particular areas of emphasis are the Community Reinvestment Act and SBA 7(A) Loan Program.

The Council will determine:

- If additional credit or investment enhancements should be developed to induce the private sector to further participate with women-owned businesses.
- What programs or enhancements would create an environment to attract traditional sources of capital to women-owned business ventures.
- The value of developing guarantees to further encourage investment banks to capitalize small and women-owned businesses.

Completed by the **fourth quarter of 1991.**

Capital 7:

Explore, evaluate and expand alternative and/or innovative sources of capital for women-owned business.

The Council, SBA and the Federal Reserve will obtain information about model financing programs from women business owners, state advocates, the private sector and the SBA's long term training and counseling Demonstration Projects. Completed by the **fourth quarter of 1991.**

The Council will explore options such as Minority Small Business Enterprise Corporations (MESBICS), small business lending institutions and the development of a specific lender for women-owned businesses.

The Council will explore the use of secondary markets, utilizing *pool bond financing* concepts and make recommendations for implementation (explained in the recommendations).

Access to Capital

The Council will serve as a clearinghouse in promoting the replication of model financing programs to other states. To be completed by the **second quarter of 1991.**

Capital 8:

Promote prompt payment by the Federal government.

The Council will review the current procurement payment procedure, evaluate for improvements and make recommendations.

Capital 9:

Establish a database of existing and newly developed sources of capital for women business owners (including geocoding).

Identify potential "host" databases and/or establish the requirement for an independent database. The cost of this task will depend either on the price of the host data base or the cost to develop from the gound up. The Small Business Development Center (SBDC) located in Athens, Georgia, is one potential database. This task will be completed by the **second quarter of 1992.**

Capital 10:

Examine the impact of tightened availability of business loans to women-owned middle-market and small businesses.

A. The Council will explore the effect of shrinking credit bases in certain quadrants of the country which adversely affect women's business development and determine if the release of certain collateral guarantees would improve credit availability for women-owned businesses.

B. Determine the impact of recently enacted federal regulations on banking institutions (FIRREA) women-owned businesses. Make recommendations for improvement by the **fourth quarter of 1991.**

Capital 11:

Monitor the access to capital environment for women business owners and update information.

The Council and the SBA will work together to develop an ongoing tracking and updating program of existing Federal, state and private lending programs for women business owners. The program will be developed by the **fourth quarter of 1992.**

Information and Public Relations

Esther Shapiro, Chairperson

The *status quo* of the '70s and '80s regarding women entrepreneurs must be transformed. The business disenfranchisement of women must cease if we are to succeed as a nation. The key to America's economic future is *productivity* and productivity equals *where the jobs are being produced.* Women entrepreneurs play a major role in the productivity that is sustaining the economy and relieving economic stress in America today and they will continue to do so. Even excluding full corporations, nearly 4.4 million women business owners today contribute over $278 billion dollars to America's economy, creating more than 6 million new jobs while the top Fortune 1000 companies lost 8 million jobs.

In order to facilitate the growth and development of women-owned companies, the Council recognizes that the business disenfranchisement and the barriers experienced by women business owners are, in great part, INFORMATIONAL and directly impact productivity, access to markets and the growth of women-owned firms.

GOAL: **Develop a public *Information Campaign* to assist in the development of small business concerns owned and controlled by women.**

Information 1:
Create a national theme which resonates with women entrepreneurs.

The Council will develop a national theme for public awareness capturing the capability, competitiveness, competency, credibility and contributions of women entrepreneurs. This campaign would communicate an effective message and affect economic, social and behavioral change. This theme would be utilized in public information efforts and in direct communications to women entrepreneurs nationally to mobilize their contributions to the national economy. To be completed by the **second quarter of 1991.**

Information 2:
Create and communicate an effective message to women entrepreneurs regarding the public and private resources available to them.

The Council believes that women entrepreneurs bring strengths to the marketplace of ideas and trade which the nation needs for productivity. However, there is an information gap between women entrepreneurs and the public and private sector resources for finance, management and marketing which this public information campaign will help close. To be completed by the **fourth quarter of 1991.**

Information and Public Relations

Information 3:

Develop a national communications network of policy and service providers.

It is critical in this rapidly changing economy that the Council has a continuous pulse on the economic heartbeat of women entrepreneurs. Communicating from a national perspective to the local level will promote a simultaneous awareness of Council activities providing and receiving information and input. The Council wishes to become the national focus for this effort without duplication of services or competition with the private sector institutions which share part or all of the Council's agenda. In order to accomplish this, the Council will create a national network with national and local service providers. The Council also needs to build coalitions to give and receive input, policy recommendation and direction. The Council recommends the following:

National

- The revitalization of the Interagency Committee on Women Business Enterprise with the selection of key high-level Federal agency officials.

State:

- Build coalitions with the National Alliance of State Women Business Advocates and other groups to share vision, mission and goals and to create a mutual partnership collaborating on national and state policy. To be completed by the **first quarter of 1991.**

Local:

- Build partnership with the awardees of SBA's Demonstration Project to articulate the management and technical assistance needs of women entrepreneurs to policy makers and to locate innovative model programs for replication. This information campaign can be coordinated within areas of the Demonstration Projects to assist in developing a marketing strategy and building the public/private partnership necessary to fund and institutionalize the projects. To be completed by the **third quarter of 1991.**

Information 4:

Develop a media strategy for each of the targeted areas: Data Collection, Access to Capital, Procurement and International Trade and The Economic Summit.

The Council will develop a media plan and prepare media placements in coordination with the Information Campaign for each of the targeted work areas highlighting the programs, policy and resources available as well as achievements and success stories.
Completed as needed.

Information 5:

Create publicity for individuals who symbolize the Council's purpose, objectives or message, thus encouraging and supporting other women in the development or use of their entrepreneurial skills.

Information and Public Relations

The role of the National Women's Business Council is to shape public policy for women entrepreneurs leading them into the year 2000. The Council reflects diversity, expertise and energy, reflective of the women entrepreneur today. Perception and credibility is the underlying issue affecting women-owned businesses today. The success of the Council depends upon what it accomplishes as well as how. Presenting the Council's work and its issues effectively will reflect the integrity and vitality of America's women business owners.

International Trade

Virginia Littlejohn, Chairperson

To accelerate the participation of women business owners in international trade, the Council is committed to identifying women business owners with the potential to do business internationally; doing sectoral analysis by industry, country and region, so as to identify prospective growth areas in international trade; disseminating information about international resources and opportunities; encouraging women business owners to participate in trade missions; and conceptualizing model programs to fast-track the participation of women business owners in the global economy.

GOAL: **Increase the participation of women business owners in international trade.**

Because of the vital importance of international trade to America's economy, the National Women's Business Council has established an International Trade Subcommittee to increase the participation of women business owners in the global marketplace. Many of the tasks for this subcommittee are integrally linked to other subcommittees.

To facilitate its efforts, the subcommittee is establishing a working group with representatives of both the private sector and government. Members will be selected during the **first quarter of 1991.** Achieving the goals delineated below will be contingent upon effectively leveraging resources in a number of Federal agencies.

International 1:

Establish a research and information-gathering agenda.

Census presently collects some data on exporting from the Department of Commerce's publication of the "Characteristics of Business Owners" (CBO) data. However, the information is not complete and is outdated by the time it is published. The Council will investigate the possibility of an exporter database that matches export-import information from Census and Customs through employer identification numbers. Commerce, Customs and other "hosts" of potential Federal databases will be explored as well. Both are targeted for completion by the **second quarter of 1991.**

In addition the Council will identify the availability of export data from other non-federal sources and complile information on the amount of gender tagging that is being done by states through income tax returns or by voluntary provision of information. Targeted for completion by the **second quarter of 1991.**

The Council will identify women-owned businesses capable of participating in international procurement, leveraging such resource organizations as the Commerce Department (DOC), SBA, the Agency for International Development (AID), the Overseas Private

Investment Corporation (OPIC) and the Export Import Bank (EX-IM). This task is related to the Procurement subcommittee and is to be completed by the **second quarter of 1991.**

The Council will meet with Federal policymakers and others (e.g., state representatives, trade associations) to gather additional information about the international trade opportunities. Targeted for completion by the **second quarter of 1991.**

International 2:

Effectively disseminate information about the international environment.

The Council will identify sources of capital for international financing such as credit, risk insurance, venture capital and joint ventures. This task is also related to the Access to Capital Subcommittee, Goal 4. Completed by the **second quarter of 1991.**

The Council will identify areas where there are set-aside programs with an international focus; and develop recommendations for overseeing and tracking them by the **third quarter of 1991.** This task is related to the Data Collection Subcommittee, Goal 1 and Procurement Subcommittee, Goal 3.

The Council will develop a strategy to begin information dissemination by the **third quarter of 1991.**

International 3:

Increase participation in trade missions.

The possibility of an all-female trade mission or one with equal female and male participation will be explored with the United States Foreign and Commercial Services (USFCS). To be completed by the **first quarter of 1991.**

The Council will survey and identify a cross-cut of the different types of trade missions from the various states, DOC, SBA, OPIC, EX-IM, etc., by the **first quarter of 1991.**

Each Council member will participate in at least one strategically selected trade mission. The trade missions will be based on types of established criteria to guarantee a broad coverage of trade missions and regions or sectors with real business growth potential. For example, each Council member could have responsibility for one of the following areas: Eastern Europe, the European Community 1992, a developing country with growth potential, the Pacific Rim, and Canada or perhaps Mexico, because of current and prospective free trade agreements. This is not a complete list and will be further refined. The targeted date for each Council member participating in a trade mission is the **third quarter of 1991.**

International Trade

International 4:

Develop recommendations related to the international women business owner agenda.

The Council will develop recommendations to enhance women-owned business participation in trade missions and track the results. The targeted date for developing recommendations is the **fourth quarter of 1991.**

International 5:

Conceptualize one or more model program to fast-track the participation of women business owners in the global economy.

The Council will conceptualize model programs (e.g., incubator, database and matchmaking, sectoral). These programs may target countries and/or sections for strategic interest. To be completed by by the **fourth quarter of 1991.**

6

Recommendations Public and Private Sector Roles

The National Women's Business Council

In order to carry out the mission of The National Women's Business Council, as empowered by Congress and the President, the Council recommends the following:

Recommendations:

- **Launch a national program to support women's business ownership under the auspices of the Council – a commitment to free enterprise and to national economic vitality by targeting resources in education, finance, procurement, data collection and international trade.**
- **Support the Council with sufficient resources to conduct an Information Campaign to coordinate interagency and congressional efforts supporting the program's objectives.**
- **Revitalize the Interagency Committee on Women's Business Enterprise with the appointment of key high-level Federal agency officials.**
- **Stagger the replacement of Council members to allow the transition of new members to always have the benefit of at least one experienced Council member.**

Data Collection

Saundra Herre, Chairperson

There is a critical issue regarding definition, data collection and public policy that concerns the National Women's Business Council. Unlike affirmative action programs, women's business development policy ought to be a **policy of opportunity** rather than of amends. Creating opportunity is the goal. The Federal government and industry need to understand the vital economic contribution by women business owners to the National GNP which is greater than that of any of the fifty states.

As owners, managers, investors, founders, inheritors or buyers of businesses, women display a very wide range of enterprising roles. Reliable data on women's participation in wealth-creating functions, from merchant to manufacturer, is sorely lacking as was noted in HR Report 100-736, *The Rise of Women Entrepreneurs.*

The Federal government's overriding approach must be to open up access to markets, both of customers and capital, to women entrepreneurs. Statutory definitions that are unwieldy because they are primarily designed to thwart fraud rather than to support economic risk-taking are self-defeating.

Recommendations:

The Council recommends:

- The wholesale review of America's entire data and statistical gathering process as it relates to women-owned business.
- A centralized clearinghouse for information on women-owned businesses for the purpose of facilitating market research, media access and procurement opportunities.
- The revision of the SIC (Standard Industrial Classification) codes to reflect the growing variety within the service industry and emerging technology companies. As well as revising size standards to be more realistic for services division of the SIC manual.
- A review of the definition of women-owned businesses.

Procurement

Marilu Meyer, Chairperson

Government programs flounder around the "question of women" because the country has not achieved consensus regarding the perception of women as second-class citizens. The rich scholarship in American universities this past decade uncovering the history and demonstrating the second class citizenship and economic position of American women has not been applied in the making of entrepreneurial policy. The definition of women's business programs is based upon the fact that women are 53% of the population and therefore a majority of the population, not a minority. However, we believe that social or economic disadvantage has to do with gender as well as race in our society, not with proportionate numbers of the total population.

For example, government policy encouraging procurement from small- and medium-sized firms, as well as disadvantaged business owners, is less useful to women seeking to enter the government market because of the complexity of becoming certified as "disadvantaged."

Recommendations:

The Council recommends:

- The simplification of all procedures related to procurement for women.
- That Congress ~~to~~ develop initiatives which provide contract financing for minorities and women with the government contracts utilized as collateral.
- That Congress explore incentives, such as tax advantage or some other economic incentives, to ensure that government contractors include minority- and women-owned contractors.
- That legislation be drafted and/or request an executive order for increasing public and private procurement opportunities for women owned firms in 1991.

Access to Capital

Mary Ann Campbell, CFP, Chairperson

Women entrepreneurs today are concerned with investment in productivity, in methods of control and cost reduction, cash flow financing and financing entry into new markets.

Existing Federal finance programs do not meet the needs of many small business and frequently require extensive paperwork. The SBA's programs are targeted towards manufacturing or hard asset companies. Businesses owned and led by women occupy a variety of sectors in a variety of markets. These sectors, such as services or small business export niche markets, are unique and require programs designed to meet their specific needs.

In addition, the programs are not well-connected to state and local revolving loan programs, which have the most practical success in very small loans. The SBA Guaranteed Loan Program aids banks in retaining capital liquidity. Similar benefits need to be used for the mini-loans (secondary market).

One of the major capital problems facing the woman entrepreneur is financing a service, wholesale or retail business with little or no tangible assets. Private lenders are cautious and reluctant to lend, due to an asset-based lending philosophy requiring collateral. The impact of this lending philosophy in America today is staggering. More than half of total growth in employment comes from service industries. Small business produced approximately 55% of this growth[7]. In 1987, 51percent of all businesses owned by women were in the service sector. In an economic downturn, service industries are the first to fail due to extensive dependency on cash flow for capitalization needs. Women- and minority-owned companies are usually the first to experience cash flow problems and/or bankruptcy due to their concentration in service, wholesale and retail sectors. These companies have limited staying power in difficult economic times. Their reserves are low because they typically finance growth internally through retained earnings[8]. Because market financing is unavailable and/or too expensive, there exists an enormous demand for long-term (20-30 years), low interest loans (below prime rate), for medium- to small-sized companies owned by women. See Appendix D, State-Sponsored Loan Guarantee Programs and "No Seeds, No Trees."

Recommendations:

The Council recommends:

- That the Council and SBA will explore the potential of using any of the SBA loan programs to help collateralize loans with partial guarantees in a *Pooled Bond Financing* program. This concept pools small loans into one large bond which can be sold in the secondary market, offering the borrower long- term low-interest loans. The secondary market is an untapped resource in the the provision of low-interest, long-term loans to small businesses owned by women.

Access to Capital

- SBA, in collaboration with Dun & Bradstreet, will conduct a statistically reliable, national survey of up to 2 million of the top businesses owned by women to find out about their financing, marketing and management experience and needs.

- That Congress review the provisions of the Community Reinvestment Act and consider possible changes to target loans to minority and women businesses.

- New programs and incentives be developed by SBA to expand the role of lending institutions in the capitalization of women-owned businesses.

- The SBA mini-loan program should be marketed more effectively to commercial bankers, by reducing paperwork required for processing loans, providing interest rate write-downs, and developing financing options underwritten via secondary markets. The program should also be aggressively marketed to rural and residential lenders, credit unions, state economic development programs, and linked to state programs by permitting SBA guarantees of state economic development loans.

- The Council will explore the potential of Federal guarantees to state and local economic development loan portfolios for financing smaller projects (less than $300,000), working capital, and for support of revolving credit and contract loans.

- That Congress explore tax incentives to encourage bank depositors with surplus cash to lend inactive funds for investment in women-owned businesses.

- The SBA mentor program be expanded to include a nationwide network of women investors for developing new, and fortifying existing women-owned businesses.

Information and Public Relations

Esther Shapiro, Chairperson

We are at a strategic moment in economic history as women lead employment and business ownership into the year 2000. It is crucial at this turning point that we recapture a sense of *shared* fortune[7]. This can only be accomplished by making visible the true role that women entrepreneurs are playing in America's economy today – an economy that is facing difficult challenges. Women are deeply concerned about the business issues affecting our nation and are doubly concerned about our free enterprise system, the American Dream and the economic heritage we leave our children for generations to come.

In this rapidly changing globally competitive marketplace, we no longer have the option of taking 50 years to build a strong company nor the luxury of taking 35 years to develop a CEO[5]. Government and American industries must be willing to collaborate in sustaining our economic heritage by investing their resources, capital and expertise in building our most productive base – the woman business owner.

Recommendations:

The Council recommends:

- The development of a National Information Campaign.
- Congressional support for resources and the funding necessary to carry out the National Information Campaign.
- A public policy commitment by the President and Congress that promotes and affirms the role of women as business owners, job creators and generators of wealth.
- Highlighting female role models by the media and corporate advertisers.

International Trade

Virginia Littlejohn, Chairperson

In the last decade, the American economy has undergone a fundamental transformation. While in the past our economy was largely driven by its domestic marketplace, especially consumer demand, in recent years our economy has become increasingly export-driven.

This fundamental transformation provides savvy, internationally-minded American entrepreneurs with the opportunity to participate in a number of growth sectors overseas at a time when domestic markets for some of their products and services may be flat or shrinking.

Entrepreneurs will need to master new information and new business skills in order to succeed in the rapidly changing global economy. Challenges include developing strategies for penetrating new markets such as the European Community; identifying barter and countertrade mechanisms for doing business with Eastern Europe, the Soviet Union and developing countries that lack appreciable hard currency; and accessing and winnowing the plethora of information about foreign markets which is disseminated through telecommunications.

Increasingly, success in the international marketplace will be defined by knowledge, service, quality, timeliness, flexibility, and customized response to customer needs. In such a competitive environment, small and mid-sized companies, because of their size and agility, are strategically positioned to become increasingly important players in global markets.

Women business owners, in particular, have enormous potential in this marketplace because the "Theory W" attributes they bring to the business arena are invaluable assets in international trade. These include: highly effective communications, diplomatic and negotiating skills; building business relationships based on respect and trust; an intuitive sense of markets based on observing and understanding people; a marked preference for win-win negotiations; heightened intercultural sensitivity; an empowering leadership style; vision; and the ability to think long range.

Members of the National Women's Business Council believe that we stand at a strategic moment in American economic history. By making information, knowledge, and resources available now, we can launch a golden decade for America's women entrepreneurs, and help them make a quantum leap into the global marketplace, while generating enormous benefits for the American economy.

Instead of Rosie the Riveter working for someone else, Rosie will own the construction company which is building the new "smart" hospital in Singapore, and the new hotel and convention center in Prague. Fellow women entrepreneurs will be selling medical imaging

International Trade

products and sophisticated health care services to the hospital in Singapore, and training travel and tourism practitioners in Prague on how the hospitality industry works in the West, how to use their teleconferencing facilities for worldwide hookups, and how to start their own small businesses.

To facilitate the increased participation of women business owners in international trade, we urge the following:

Recommendation:

The Council recommends:

- Congressional hearings should be held regarding international trade for women-owned businesses. The hearings should focus on:

  - Identifying opportunity areas, including the export of services where the U.S. has a competitive edge;
  - Identifying resources to assist women entrepreneurs in moving into international markets;.
  - Developing an organized method of making women business owners aware of existing export opportunities and the resources available in the Federal government and;
  - Identifying model programs to fast-track women business owners into the global economy.

Private Sector Initiatives

Making the States Work for National Policy

A critical stimulant to economic growth for women-owned companies, and for American emerged and medium sized firms generally, is vastly improved *management training and technical assistance.* One network for delivering valuable training and ongoing assistance to the small and medium-sized businesses is the Demonstration Pilot Projects around the country.

In response to the Council's responsibility to "recommend to Congress and the President new private sector initiatives that would provide management and technical assistance to women-owned small business," the Council supports the model Demonstration Projects for women entrepreneurs under the direction of the SBA, with the following recommendations:

Recommendations:

The Council recommends to Congress that:

- The funding cycle be extended until the year 2000 at a level of at least $2 million per year.
- The funding cycle requirements for private sector match be reexamined.
- In-kind contributions be allowed.

Women's Economic Summit

Gillian Rudd, Chairperson

The Women's Economic Summit will celebrate the achievements of women entrepreneurs in the last two decades, highlight present successes and barriers to growth, and draw the blueprint that will strategically shape the economic agenda of American women in the next 20 years. It will provide a public information focus for Council research, activities, and recommendations.

Goals:

- Develop a national economic growth policy for women entrepreneurs.
- Create breakthrough public policy to strengthen and encourage growth of women entrepreneurs by bringing together a "think-tank" of key public and private sector experts.
- Disseminate information on existing programs and activities–public and private sector–to women-owned businesses.
- Act as a focal point for the Council's national information campaign.
- Assist U.S. women entrepreneurs to be more competitive in domestic and world markets.

Format: The Women's Economic Summit is scheduled for May 1992. The Council has planned the Summit's format in three parts– to capture our history, review our present, and plan our future.

The first section of the Summit will develop a strategy for the future growth and stability of women entrepreneurs domestically and internationally in the coming two decades. During this section of the Summit, the Council will focus on the changing U.S. economy, our position in international markets, new technologies and their impact, ways in which other countries have successfully encouraged their entrepreneurial sectors, and demographics and trends that will influence women entrepreneurs's agenda between 1992 and 2010.

A second part of the Summit will focus on the status of women-owned business in 1992. The Council will review its hearings and work in data and statistics, procurement, access to capital, and international trade to provide a snapshot of present successes and barriers to the growth of women-owned businesses and to highlight "the best and the brightest" programs and activities that the Council has found, to encourage the growth of women entrepreneurs across the nation in the public and private sectors.

Women's Economic Summit

A third section of the Summit will celebrate U.S. women's economic achievements particularly in the past 30 years, and highlight the women and men who have made major contributions to U.S. women's economic growth during this period.

Recommendations:

The Council recommends that:

- A Women's Economic Summit be held in 1992.

7
Summation

Over the past twenty years women have designed and developed a new style of business leadership. They have become the architects and archetypes of business ownership, leading and shaping entrepreneurship into the next millennium. Combining their natural collaborative management style (Theory W) with finely tuned competitive business skills women entrepreneurs have opened new markets, leveraged scarce resources and balanced accelerated change to become the most productive and educated women in history.

The time has come for women entrepreneurs to coventure with American government and industry in a partnership of resources and experience to build together a shared fortune as we secure our economic heritage. The National Women's Business Council has assumed the responsibility of leadership to achieve the goals outlined in this report. The Council will continue to work with Congress and the Administration to fulfill the intentions of the Women's Business Ownership Act (HR5050) as well as the aims and hopes expressed by the appointments of the individuals who prepared this report.

8
Appendices

Appendix A

Biographies

of the

National Women's Business Council

Members

Biographies of the National Women's Business Council Members

Susan S. Engeleiter

Susan S. Engeleiter was sworn in as Administrator of the U.S. Small Business Administration (SBA) on May 1, 1989, at a White House ceremony attended by President Bush. She was confirmed for this position by the U.S. Senate on April 19, 1989, becoming the first woman to hold this post.

In addition to her duties as SBA Administrator, the President designated Engeleiter in November 1989 to chair the National Women's Business Council.

Prior to joining the Small Business Administration, Engeleiter served two terms as Minority Leader of the Wisconsin State Senate, from 1984 to 1988. She was also the Assistant Minority Leader from 1982 to 1984. She was the first woman to hold a major elected leadership post in the Wisconsin legislature and the only woman to be re-elected to a major leadership post. She represented Wisconsin's 33rd District for nine years.

Before being elected to the State Senate, Engeleiter served two terms as a State Representative. She was the youngest woman in the country elected to a state legislature when she took office in 1975 at the age of 22.

In 1988, Engeleiter was the Republican candidate for the United States Senate in Wisconsin.

Her commitment to protecting the interests of small business and her effectiveness as a legislator have resulted in her receiving numerous awards, including the Guardian of Small Business Award from the National Federation of Independent Business in 1988. She was also chosen one of the 10 best Republican legislators in the nation in 1986 by the National Republican Legislators Association.

In addition to Engeleiter's achievements in government, she also maintains a high level of civic involvement. She has received numerous awards recognizing her efforts in the community, including the Women of Distinction Award from the Christoph Memorial YWCA of Waukesha County, the Distinguished Service Award from the Wisconsin Association of the Future Farmers of America, the Wisconsin Gift of Life Chairperson Award from the National Kidney Foundation, the Community Service Award from the Alliance for the Mentally Ill of Greater Milwaukee and the Girl Scouts of Wisconsin Appreciation Award presented to former Girl Scouts for outstanding achievements.

She holds a Juris Doctor degree from the University of Wisconsin Law School, and received her Bachelor of Science degree in English and Communication Arts from the University of Wisconsin.

Biographies of the National Women's Business Council Members

Robert Adam Mosbacher

Robert A. Mosbacher's nomination by President George Bush as Secretary of Commerce was confirmed by the United States Senate on January 31, 1989, by a 100–0 vote. Mr. Mosbacher was Chief Executive Officer and Chairman of Mosbacher Energy Company until his appointment.

Secretary Mosbacher has previously held numerous directorships including Texas Commerce Bankshares, Enron Corporation, New York Life Insurance Company and American Petroleum Institute. He has chaired such organizations as the National Petroleum Council, All American Wildcatters Association, American Petroleum Landmen and Mid-Continent Oil and Gas Association.

Secretary Mosbacher's community involvement includes Trusteeships of the Texas Heart Institute, Boys Clubs of America Southwest Region, Aspen Institute for Humanistic Studies. He served twice as Chairman of the Board of Visitors of the Texas M.D. Anderson Cancer Institute. He held membership in the Washington Roundtable and was Co-Chair of Houston Roundtables's Center for Strategic and International Studies.

Secretary Mosbacher's political involvement includes National Finance Chairman for George Bush for President, National Finance Chairman for the Fund for America's Future, Chairman for Victory '88, Executive Committee for Reagan-Bush, and National Finance Chair for President Ford 1976.

Biographies of the National Women's Business Council Members

Martha Romayne Seger

Governor Martha R. Seger was appointed to the Federal Reserve System Board by President Ronald Reagan in 1984. She is the first woman to be appointed to a full term on the Board. As the senior member of the Board of Governors of the Federal Reserve System, our nation's central bank, she is directly involved in the formulation and implementation of monetary policy. Since the Federal Reserve is responsible for overseeing all the bank holding companies in America, Governor Seger brings her extensive experience in the banking industry to the supervision and regulation of these bank holding companies.

Not only does Governor Seger serve as a member of the Board, but she also chairs the Neighborhood Reinvestment Corporation. She is the Board's contact with minority and women's banks. And, at the moment, she fills the Federal Reserve's seat on the National Women's Business Council.

Governor Seger has spent 10 years as a commercial banking executive in Michigan. In 1981 and 1982, she served in the Milliken administration as Commissioner of Financial Institutions, the top state regulatory body. She has also been an academician, teaching at the University of Michigan, Oakland University and Central Michigan University.

Governor Seger has been awarded five honorary degrees with the most recent one bestowed to her by the University of Notre Dame. She has been the recipient of the Knights of Charity Award; the Currency Award from the National Association of Women Business Owners; and the Financial Achievers Award from the National Association of Bank Women. Business Week selected her as one of the Top 100 Corporate Women in America. And, she has been named Michigan Woman of the Year.

Governor Seger is a member of Phi Kappa Phi and Beta Gamma Sigma societies. Her professional affiliations include the American Economic Association, American Finance Association, Economic Club of Detroit, the National Association of Business Economists, and the Women's Economic Club.

Born in Adrian, Michigan, Governor Seger received her undergraduate, graduate and doctorate degrees all from the University of Michigan.

Biographies of the National Women's Business Council Members

Mary Ann Campbell, CFP

Mary Ann Campbell is a certified financial planner and President of Money Magic, Inc., in Little Rock, Arkansas. *Money Magazine* named Ms. Campbell one of America's 200 best certified financial planners. Her company provides fee only consulting and employee training on a variety of subjects.

She is an experienced keynote speaker and on-air television personality. She has done extensive writing of training materials, video presentations and television productions. An experienced educator, she taught at the University level for seven years, after teaching high school and junior high. Her series on personal money management aired on statewide PBS for three hours college credit, and won two national awards.

Ms. Campbell serves on Southwestern Bell Telephone Company's Small Business Advisory Panel. She is also involved as a board member and officer of numerous organizations. She set up the state coordination office on literacy in Arkansas.

Her volunteer work includes teaching high school financial planning, and being state coordinator of David Copperfield's Project Magic which teaches magic to rehabilitation patients and summer medical camp children. She served as chair of the Arkansas Fire Protection Commission and was a member of the National Advisory Committee for the Consumer Product Safety Commission.

Acclaimed for her "magic with a message" presentations, Mary Ann has been featured in a book about women magicians, Those Beautiful Dames, by Frances Marshall of Magic, Inc. in Chicago. She appeared on the cover of the Linking Ring, an international publication of the International Brotherhood of Magicians. She is also a member of the Society of American Magicians.

Ms. Campbell has received many honors and recognitions. Among them, she won the Freedom Foundation of Valley Forge Honor Medal for Economic Education and the Bronze Award by the International Film and TV Festival of New York for her MONEY MAGIC ETV series.

Ms. Campbell chairs the Access to Capital subcommittee of the National Women's Business Council.

Biographies of the National Women's Business Council Members

Saundra R. Herre

Saundra Herre is President of Herrewood Associates in Racine, Wisconsin. Her company provides management consulting services to small business owners and non-profit organizations in the areas of public relations and public affairs (advertising, marketing and management practices).

Ms. Herre is a founder and past President of Wisconsin Women Entrepreneurs, served as Vice President of The Independent Business Association of Wisconsin, served on the Board of Directors, National Small Business United, Executive Committee and the Board of Directors of the Economic Development Corporation – Racine County. She was on the Small Business Advisory Council of the Federal Reserve Board and co-chaired the Wisconsin Delegation to the 1986 White House Conference on Small Business. She was the first winner of the Wisconsin Women Business Owner of the Year award in 1984.

Ms. Herre has testified before the Economic Platform Committee, Republican National Convention in August 1984, the U.S. House of Representatives in 1984 and the U.S. Senate in 1980, as well as various state legislative committees.

Ms. Herre serves as an advisor to the business schools of three universities and is currently the visiting professor of entrepreneurship at Alverno College. Wisconsin Governor Tommy Thompson has named her as his special advisor of women's business issues.

Ms. Herre chairs the Data Collection subcommittee of the National Women's Business Council.

Biographies of the National Women's Business Council Members

Virginia Littlejohn

Virginia Littlejohn is President of Global Strategies in Chevy Chase, Maryland. Her company specializes in providing training and management development in central Europe and the Soviet Union, and in helping Western firms develop long-range business opportunities in that rapidly changing region of the world.

Ms. Littlejohn has been active for many years with the National Association of Women Business Owners (NAWBO) and served as National President from 1984-85. She was a delegate to the 1980 White House Conference on Small Business and served on both the National Steering Committee and NAWBO's Steering Committee for the 1986 White House Conference on Small Business, as well as co-chairing the District of Columbia delegation. She has been a longtime member of the Small Business Council of the U.S. Chamber of Commerce and is a former Board member of the Small Business Legislative Council.

She has co-authored *Women in Washington: Advocates for Public Policy; How to Get that Appointment; Framework for the Future;* and *Small Business: Building for the Future. Framework* was featured on national ABC-TV business coverage as the most innovative and forward-looking document released at the 1986 White House Conference on Small Business, and *Small Business: Building for the Future* was the U.S. Chamber of Commerce's handbook on entrepreneurship and economic growth for the transition team, Bush Administration and 101st Congress.

Ms. Littlejohn has received numerous commendations and awards from the White House, U.S. Department of Commerce, the U.S. Small Business Administration and various business organizations. The *Washington Business Journal* picked her as one of Washington's "Top 50 Power Brokers."

Noted for her inspiring call-to-action speeches, she speaks extensively, both in the United States and abroad. She also testifies regularly before Congress and is interviewed frequently by the media.

Ms. Littlejohn chairs the International Trade subcommittee of the National Women's Business Council.

Biographies of the National Women's Business Council Members

Marilu Bartholomew Meyer

Marilu Meyer is the President and Owner of Castle Construction Corporation in Chicago, Illinois. Her company is a General Contractor which self-performs concrete, masonry, carpentry and decorating. A Castle subsidiary, MBB Construction Group, serves the industry in the Construction Management field. Her company has performed extensive work for the City of Chicago, O'Hare Development projects, Illinois Department of Transportation and the Washington Area Transit Authority.

Ms. Meyer is a Board member of the Illinois State Chamber of Commerce; on the Legislative Committee of the Illinois Roadbuilders; on the Legislative Committee of the American Subcontractors Association; on the Legislative Committee of the National Association of Women Business Owners (NAWBO); a Charter Member and the Illinois Chapter President of Women Construction Owners and Executives; and is a Board Member of the Midwest Women's Center.

Ms. Meyer was a delegate to the 1986 White House Conference on Small Business and a delegate to the 1984 and 1985 State of Illinois Conference on Small Business.

Ms. Meyer chairs the Procurement subcommittee of the National Women's Business Council.

Biographies of the National Women's Business Council Members

Gillian Rudd

Gillian Rudd is the President of The Rudd Company in Washington, DC. Her company is a business-to-business marketing company that focuses on marketing nationally and internationally for entrepreneurs and professional and technical service companies and works closely with venture capital companies to launch new technologies in the marketplace.

Ms. Rudd chairs The National Foundation for Women Business Owners (NFWBO). She is past president of The National Association of Women Business Owners and the U.S. Representative and International Vice President of Les Femmes Chefs D'Enterprises Mondiales, a 23-nation organization of women entrepreneurs. She is vice president of the Center for the Study of Services, which researches and publishes the results of consumer surveys in books and magazines. She is President of the Women in Business Advisory Corporation which organized three "MegaMarketplaces," nationwide procurement conferences for women business owners and which published a guide to women business owner programs nationwide.

In 1985, Ms. Rudd was appointed by the Mayor of the District of Columbia to serve as a member of the Private Industry Council. She served as a Director and Public Affairs Chair of the Professional Services Council, and was a delegate to the 1986 White House Conference on Small Business. In 1990, she was a member of Mayor-elect Sharon Pratt Dixon's Transition Team, working on economic development issues, particularly international business and tourism and entertainment.

Ms. Rudd has been named one of 50 Washington area "power brokers" in 1985 by *The Washington Business Journal.*

Ms. Rudd chairs the Economic Summit subcommittee of the National Women's Business Council.

Biographies of the National Women's Business Council Members

Esther Shapiro

Esther Shapiro is a co-owner and president of Richard and Esther Shapiro Entertainment, Inc., a television and motion picture company. For her work, Ms. Shapiro has received a Golden Globe, a Christopher, Prix Italia: The Rai Prize, six People's Choice Awards, a Geni Award, and multiple Emmy and Writers Guild nominations. Ms. Shapiro is a former vice president (Novels for Television) for the ABC network. She is the co-creator of Dynasty.

In business, Ms. Shapiro is on the Board of American Women's Economic Development Corporation (AWED) and has been singled out for leadership by the National Women's Economic Alliance Foundation. She is a member of the Trusteeship, the Committee of 200, and on the President's Committee and the board of the Foundation of the Writer's Guild of America.

Ms. Shapiro chairs the Information and Public Relations subcommittee of the National Women's Business Council.

Appendix B

Schedule of NWBC Hearings and Activities

January 23, 1990	Washington, DC	Council Public Hearing
July 9-10, 1990	Los Angeles, Calif.	Council Public Hearing
August 28-30, 1990	Belmont, Maryland	Council Strategic Meeting Working Session
September 10-11, 1990	Chicago, Illinois	Council Public Hearing
November 14-15, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
November 28, 1990	Washington, DC	Council Subcommittee Strategic Planning Session
December 4-5, 1990	Washington, DC	Council Meeting, one-day closed meeting and one-day open meeting

January 23, 1990
Washington, DC
Council Public Hearing
Survey of Existing Resources

The first official meeting of the NWBC was held on January 23, 1990 in Washington, DC. At this meeting, the Council began gathering expert testimony to formulate strategies and to define their agenda. Testimony was heard on a broad range of topics:

- **Data Collection Procedures and Availability of Data**
  -with presentations by the Small Budiness Administration Economic Research Office, the Bureau of the Census, and the Internal Revenue Service;
- **Procurement Opportunities for Women Business Owners**
  -with presentations by the Office of Federal Procurement Policy, Office of Small and Disadvantaged Business Utilization, National Aeronautics and Space Administration;
- **Access to Commercial Credit**
  -with presentations by the Federal Reserve Board, and the American Bankers Association;
- **Role of State and Local Governments**
  -with presentations by the Corporation for Enterprise Development and Venture Concepts.

At the conclusion of the hearings, the Council members selected five primary issue areas on which to begin their work, they were:

1. Data Collection
2. Access to Capital
3. Procurement
4. Information and Public Relations
5. International Trade

The subsequent hearing planned by the Council would focus their investigations on these five topics. Testimony from around the country would be gathered, information would be synthesized by the Council and yield recommendations for the President and the Congress.

July 9 and 10, 1990

Los Angeles, California

Public Hearing

Access to Credit, International Trade and Procurement

On July 10, 1990 the Council conducted a public hearing in Los Angeles, California. The focus was on the issues of access to credit, international trade and procurement. Excerpts from those testifying raised the following concerns:

Concerns

Data Collection

- Many people mentioned the need for better statistics related to the number of women-owned business.

Procurement

- Concerns regarding procurement were primarily related to the complexity of the process, unfamiliarity with the process, which varies from agency to agency, and the multiple certifications required to work with different agencies.
- Small and women-owned businesses do not have the financial capability to withstand an extended procurement award cycle.
- Purchasing agents and buyers are predominantly male in large corporations, and no method exists for them to be held accountable for their bias.

Access to Credit

- The savings and loan crisis may make it even more difficult for women business owners to obtain financing.
- Service businesses have intangible products and financing is difficult.
- Witnesses had widely diverse opinions about the helpfulness of The Equal Opportunity Credit Act for Women Business Owners.
- There is a lot of confusion and misunderstanding about the Women's Business Ownership Act, specifically about the small loan program. Banks and individuals are unclear about the program, and are concerned about the amount of paperwork required by the Small Business Administration.
- There is a need for consciousness-raising incentives and motivation for lending institutions to improve their record of lending to small and women-owned businesses.

International

- Language barriers, cultural differences, lack of knowledge, training and experience in international trade were mentioned as areas of concern. Also, cash flow problems were mentioned, more because of status as small business than gender based, i.e., the need to make several sales trips before getting business and the delays in receipt of payment.

Information

- The need for education for women business owners in the form of seminars, workshops and networking opportunities was identified. Particularly, education is needed in international trade and communicating with lenders. Also needed is the education of lending institutions on the new small loan program, and of buyers and procurement officers on the value of doing business with women-owned businesses.

August 28 and 29, 1990
Belmont, Maryland
Council Strategic Meeting
Working Session

On August 28 and 29, 1990 the Council held a strategic planning meeting at Belmont Conference Center. Preliminary planning began in each targeted area to define issues - tasks, goals, and potential resources. On August 28, Council members also met with the awardees of the HR 5050 demonstration projects which provides technical assistance and management training to women entrepreneurs. Awardees described the project's successes and barriers and made recommendations to the Council for improvements.

The purpose of the retreat was to:

- Give the Council members some time together to benefit from the synergisms between the members.
- Be able to share their resources and maximize their potential.
- Establish their goals, mission and vision.
- Put together subcommittees to assist with the work of the Council.
- Set their future agenda.

Facilitators were used to assist the Council in the process of developing short- and long-range strategies to accomplish the goals of the NWBC.

Among the outcomes of the meeting was the formalization of six subcommittees to concentrate on specific areas. These committees are:

1. **Data Collection** - *Saundra Herre, Chair*
2. **Access to Capital** - *Mary Ann Campbell, Chair*
3. **International Trade** - *Virginia Littlejohn, Chair*
4. **Procurement** - *Marilu Meyer, Chair*
5. **Information and Public Relations** - *Esther Shapiro, Chair*
6. **Economic Summit** - *Gillian Rudd, Chair*

September 10, 1990
Chicago, Illinois
PublicHearing

On September 10, 1990, a third public hearing was held in Chicago, Illinois. Testimony was received from individuals representing business, government and professional organizations. The focus of the hearing was on procurement, certification, international trade and access to credit.

Concerns

Procurement

- How to achieve a greater share of the federal dollar through procurement opportunities.
- More emphasis and education are needed relating to sub-contracting opportunities.
- Data on what type of contracts are let to women business owners is more important than simply how many contracts are let.
- A simplified and standardized certification process is a real need.
- The requirement for bonding before contract award can result in a loss of money if the contract is not awarded.

International

- The importance of trade missions and international trade fairs was emphasized.
- The lack of financing to sell in international markets - banks think it is too risky.

Access to Credit

- Financing is the number one need for women-owned businesses, and cash flow is a big problem.
- Financing is not only difficult in start-up for women-owned businesses, but for expansion as well.
- In the current environment, external factors make the obstacles in financing much more complex.
- Regulations imposed on banks do not allow them to be innovative.
- Home-based businesses lack credibility, making access to credit even more difficult. IRS restrictions on deductions for home offices are a deterrent.
- It is difficult to convince banks to participate in small loan programs because of lack of incentives and the enormous amount of paperwork required by the Small Business Administration.

Information and Public Relations

- There is a need for a public policy/public attitude that promotes and affirms the role of women as business owners, job creators and generators of wealth.

Miscellaneous

- Rather than creating more legislation, there is a need for fairness, and an end to discriminatory practices.

September 11, 1990
Chicago, Illinois
Council Business Meeting

On September 11, 1990 a business meeting was held in Chicago, Illinois. The major emphasis of the meeting was to review the hearing of September 10, and to review initial work plans and strategies for the subcommittees established in August.

November 14 & 15, 1990
Washington, DC
Council Subcommittee
Strategic Planning Session,
Department of Commerce

The Council met on November 14 and 15, 1990 in Washington, DC for strategic planning.

Three members of the National Women's Business Council met on November 14 and 15 at the Decision Analysis Center of the U.S. Department of Commerce in Washington, DC to examine and identify goals and establish a workplan for accomplishing them in the following subcommittee issue areas:

- Data Collection
- Procurement
- Access to Capital

Each subcommittee discussed the priority of goals to be accomplished, specific tasks required, who would undertake them, how much it would cost, when it should/could be done, and the degree of importance and difficulty in achieving each task.

The Center's sophisticated computer system prepared the information in several formats.

November 28, 1990
Washington, DC
Council Subcommittee
Strategic Planning Session,
Department of Commerce

The Council met on November 28, 1990 in Washington, DC for strategic planning.

Two members of the National Women's Business Council met on November 28 at the Decision Analysis Center of the U.S. Department of Commerce in Washington, DC to examine and identify goals and establish a workplan for accomplishing them in the following subcommittee issue areas:

- International Trade
- Economic Summit

Both subcommittees discussed the priority of goals to be accomplished, specific tasks required, who would undertake them, how much it would cost, when it should/could be done, and the degree of importance and difficulty in achieving each task.

The Center's sophisticated computer system prepared the information in several formats.

December 3-5, 1990
Washington, DC
Dinner-Council Meeting
Federal Reserve System

December 3, 1990 – Federal Reserve System

The National Women's Business Council hosted a reception followed by a dinner sponsored by *Governor Martha Seger* to introduce the National Women's Business Council to dignitaries and key officials and to present the mission and goals of the Council.

December 4 and 5, 1990 – Strategic Planning Session

The purpose of the Council meeting:

- Report and ratify subcommittee plans
- Discuss annual report
- Set agenda for FY 1991

Council members had an opportunity to observe a demonstration of the Small Business Administration's Procurement Automated Source System (PASS).

Presentations were made to the Council by:

- U.S. General Services Administration
- Resolution Trust Corporation
- U.S. Department of Commerce, United States and Foreign Commercial Services
- Overseas Private Investment Corporation
- Alternative Financial Sources, Inc.

Appendix C

"Ways Women Lead"

The command-and-control leadership style associated with men is not the only way to succeed.

Ways Women Lead

by Judy B. Rosener

Women managers who have broken the glass ceiling in medium-sized, nontraditional organizations have proven that effective leaders don't come from one mold. They have demonstrated that using the command-and-control style of managing others, a style generally associated with men in large, traditional organizations, is not the only way to succeed.

The first female executives, because they were breaking new ground, adhered to many of the "rules of conduct" that spelled success for men. Now a second wave of women is making its way into top management, not by adopting the style and habits that have proved successful for men but by drawing on the skills and attitudes they developed from their shared experience as women. These second-

Judy B. Rosener is a faculty member at the Graduate School of Management at the University of California, Irvine and coauthor with Marilyn Loden of Workforce America *(Dow Jones Irwin, forthcoming in January).*

generation managerial women are drawing on what is unique to their socialization as women and creating a different path to the top. They are seeking and finding opportunities in fast-changing and growing organizations to show that they can achieve results – in a different way. They are succeeding because of – not in spite of – certain characteristics generally considered to be "feminine" and inappropriate in leaders.

Men and women leaders make the same amount of money. But they describe their leadership differently.

The women's success shows that a nontraditional leadership style is well suited to the conditions of some work environments and can increase an organization's chances of surviving in an uncertain world. It supports the belief that there is strength in a diversity of leadership styles.

In a recent survey sponsored by the International Women's Forum, I found a number of unexpected similarities between men and women leaders along with some important differences. (For more on the study and its findings, see "The IWF Survey of Men and Women Leaders.") Among these similarities are characteristics related to money and children. I found that the men and women respondents earned the same amount of money (and the household income of the women is twice that of the men). This finding is contrary to most studies, which find a considerable wage gap between men and women, even at the executive level. I also found that just as many men as women experience work-family conflict (although when there are children at home, the women experience slightly more conflict than men).

But the similarities end when men and women describe their leadership performance and how they usually influence those with whom they work. The men are more likely than the women to describe themselves in ways that characterize what some management experts call "transactional" leadership.[1] That is, they view job performance as a series of transactions with subordinates – exchanging rewards for services rendered or punishment for inadequate performance. The men are also more likely to use power that comes from their organizational position and formal authority.

The women respondents, on the other hand, described themselves in ways that characterize "transformational" leadership – getting subordinates to transform their own self-interest into the interest of the group through concern for a broader goal. Moreover, they ascribe their power to personal characteristics like charisma, interpersonal skills, hard work, or personal contacts rather than to organizational stature.

Intrigued by these differences, I interviewed some of the women respondents who described themselves as transformational. These discussions gave me a better picture of how these women view themselves as leaders and a greater understanding of the important ways in which their leadership style differs from the traditional command-and-control style. I call their leadership style "interactive leadership" because these women actively work to make their interactions with subordinates positive for everyone involved. More specifically, the women encourage participation, share power and information, enhance other people's self-worth, and get others excited about their work. All these things reflect their belief that allowing employees to contribute and to feel powerful and important is a win-win situation – good for the employees and the organization.

Interactive Leadership

From my discussions with the women interviewees, several patterns emerged. The women leaders made frequent reference to their efforts to encourage participation and share power and information – two things that are often associated with participative management. But their self-description went beyond the usual definitions of participation. Much of what they described were attempts to enhance other people's sense of self-worth and to energize followers. In general, these leaders believe that people perform best when they feel good about themselves and their work, and they try to create situations that contribute to that feeling.

Encourage participation. Inclusion is at the core of interactive leadership. In describing nearly every aspect of management, the women interviewees made reference to trying to make people feel part of the organization. They try to instill this group identity in a variety of ways, including encouraging others to have a say in almost every aspect of work, from setting performance goals to determining strategy. To facilitate inclusion, they create mechanisms that get people to participate and they use a conversational style that sends signals inviting people to get involved.

1. Transactional and transformational leadership were first conceptualized by James McGregor Burns in *Leadership* (New York: Harper & Row, 1978) and later developed by Bernard Bass in *Leadership and Performance Beyond Expectations* (New York: Free Press, 1985).

The IWF Survey of Men and Women Leaders

The International Women's Forum was founded in 1982 to give prominent women leaders in diverse professions around the world a way to share their knowledge with each other and with their communities and countries. The organization now has some 37 forums in North America, Europe, Asia, Latin America, and the Middle East. To help other women advance and to educate the public about the contributions women can and are making in government, business, and other fields, the IWF created the Leadership Foundation. The Foundation commissioned me to perform the study of men and women leaders on which this article is based. I conducted the study with the help of Daniel McAllister and Gregory Stephens (Ph.D. students at the Graduate School of Management at the University of California, Irvine) in the spring of 1989.

The survey consisted of an eight-page questionnaire sent to all the IWF members. Each respondent was asked to supply the name of a man in a similar organization with similar responsibilities. The men received the same questionnaire as the IWF members. The respondents were similar in age, occupation, and educational level, which suggests that the matching effort was successful. The response rate was 31%.

The respondents were asked questions about their leadership styles, their organizations, work-family issues, and personal characteristics. The following are among the more intriguing findings, some of which contradict data reported in academic journals and the popular press:

☐ The women earn the same amount of money as their male counterparts. The average yearly income for men is $136,510; for women it is $140,578. (Most other studies have shown a wage gap between men and women.)

☐ The men's household income (their own and their spouse's) is much lower than that of the women—$166,454 versus $300,892. (Only 39% of the men have full-time employed spouses, as opposed to 71% of the women.)

☐ Both men and women leaders pay their female subordinates roughly $12,000 less than their male subordinates with similar positions and titles.

☐ Women are more likely than men to use transformational leadership—motivating others by transforming their self-interest into the goals of the organization.

☐ Women are much more likely than men to use power based on charisma, work record, and contacts (personal power) as opposed to power based on organizational position, title, and the ability to reward and punish (structural power).

☐ Most men and women describe themselves as having an equal mix of traits that are considered "feminine" (being excitable, gentle, emotional, submissive, sentimental, understanding, compassionate, sensitive, dependent), "masculine" (dominant, aggressive, tough, assertive, autocratic, analytical, competitive, independent), and "gender-neutral" (adaptive, tactful, sincere, conscientious, conventional, reliable, predictable, systematic, efficient).

☐ Women who do describe themselves as predominately "feminine" or "gender-neutral" report a higher level of followership among their female subordinates than women who describe themselves as "masculine."

☐ Approximately 67% of the women respondents are married. (Other studies report that only 40% to 50% of women executives are married.)

☐ Both married men and married women experience moderate levels of conflict between work and family domains. When there are children at home, women experience only slightly higher levels of conflict than men, even though they shoulder a much greater proportion of the child care—61% of the care versus 25% for the men.

One example of the kinds of mechanisms that encourage participation is the "bridge club" that one interviewee, a group executive in charge of mergers and acquisitions at a large East Coast financial firm, created. The club is an informal gathering of people who have information she needs but over whom she has no direct control. The word *bridge* describes the effort to bring together these "members" from different functions. The word *club* captures the relaxed atmosphere.

Despite the fact that attendance at club meetings is voluntary and over and above the usual work demands, the interviewee said that those whose help she needs make the time to come. "They know their contributions are valued, and they appreciate the chance to exchange information across functional boundaries in an informal setting that's fun." She finds participation in the club more effective than memos.

Whether or not the women create special forums for people to interact, they try to make people feel included as a matter of course, often by trying to draw them into the conversation or soliciting their opinions. Frieda Caplan, founder and CEO of Frieda's

Finest, a California-based marketer and distributor of unusual fruits and vegetables, described an approach she uses that is typical of the other women interviewed: "When I face a tough decision, I always ask my employees, 'What would you do if you were me?' This approach generates good ideas and introduces my employees to the complexity of management decisions."

Of course, saying that you include others doesn't mean others necessarily feel included. The women acknowledge the possibility that their efforts to draw people in may be seen as symbolic, so they try to avoid that perception by acting on the input they receive. They ask for suggestions before they reach their own conclusions, and they test – and sometimes change – particular decisions before they implement them. These women use participation to clarify their own views by thinking things through out loud and to ensure that they haven't overlooked an important consideration.

The fact that many of the interviewees described their participatory style as coming "naturally" suggests that these leaders do not consciously adopt it for its business value. Yet they realize that encouraging participation has benefits. For one thing, making it easy for people to express their ideas helps ensure that decisions reflect as much information as possible. To some of the women, this point is just common sense. Susan S. Elliott, president and founder of Systems Service Enterprises, a St. Louis computer consulting company, expressed this view: "I can't come up with a plan and then ask those who manage the accounts to give me their reactions. They're the ones who really know the accounts. They have information I don't have. Without their input I'd be operating in an ivory tower."

Participation also increases support for decisions ultimately reached and reduces the risk that ideas will be undermined by unexpected opposition. Claire Rothman, general manager of the Great Western Forum, a large sports and entertainment arena in Los Angeles, spoke about the value of open disagreement: "When I know ahead of time that someone disagrees with a decision, I can work especially closely with that person to try to get his or her support."

> Women are more likely than men to say they make people feel important, included, and energized.

Getting people involved also reduces the risk associated with having only one person handle a client, project, or investment. For Patricia M. Cloherty, senior vice president and general partner of Alan Patricof Associates, a New York venture capital firm, including people in decision making and planning gives investments longevity. If something happens to one person, others will be familiar enough with the situation to "adopt" the investment. That way, there are no orphans in the portfolio, and a knowledgeable second opinion is always available.

Like most who are familiar with participatory management, these women are aware that being inclusive also has its disadvantages. Soliciting ideas and information from others takes time, often requires giving up some control, opens the door to criticism, and exposes personal and turf conflicts. In addition, asking for ideas and information can be interpreted as not having answers.

Further, it cannot be assumed that everyone wants to participate. Some people prefer being told what to do. When Mary Jane Rynd was a partner in a Big Eight accounting firm in Arizona (she recently left to start her own company – Rynd, Carneal & Associates), she encountered such a person: "We hired this person from an out-of-state CPA firm because he was experienced and smart – and because it's always fun to hire someone away from another firm. But he was just too cynical to participate. He was suspicious of everybody. I tried everything to get him involved – including him in discussions and giving him pep talks about how we all work together. Nothing worked. He just didn't want to participate."

Like all those who responded to the survey, these women are comfortable using a variety of leadership styles. So when participation doesn't work, they act unilaterally. "I prefer participation," said Elliott, "but there are situations where time is short and I have to take the bull by the horns."

Share power and information. Soliciting input from other people suggests a flow of information from employees to the "boss." But part of making people feel included is knowing that open communication flows in two directions. These women say they willingly share power and information rather than guard it and they make apparent their reasoning behind decisions. While many leaders see information as power and power as a limited commodity to be coveted, the interviewees seem to be comfortable letting power and information change hands. As Adrienne Hall, vice chairman of Eisaman, Johns & Laws, a large West Coast advertising firm, said: "I know territories shift, so I'm not preoccupied with turf."

One example of power and information sharing is the open strategy sessions held by Debi Coleman, vice president of information systems and technol-

ogy at Apple Computer. Rather than closeting a small group of key executives in her office to develop a strategy based on her own agenda, she holds a series of meetings over several days and allows a larger group to develop and help choose alternatives.

The interviewees believe that sharing power and information accomplishes several things. It creates loyalty by signaling to coworkers and subordinates that they are trusted and their ideas respected. It also sets an example for other people and therefore can enhance the general communication flow. And it increases the odds that leaders will hear about problems before they explode. Sharing power and information also gives employees and coworkers the wherewithal to reach conclusions, solve problems, and see the justification for decisions.

On a more pragmatic level, many employees have come to expect their bosses to be open and frank. They no longer accept being dictated to but want to be treated as individuals with minds of their own. As Elliott said, "I work with lots of people who are bright and intelligent, so I have to deal with them at an intellectual level. They're very logical, and they want to know the reasons for things. They'll buy in only if it makes sense."

In some cases, sharing information means simply being candid about work-related issues. In early 1990, when Elliott hired as employees many of the people she had been using as independent contractors, she knew the transition would be difficult for everyone. The number of employees nearly doubled overnight, and the nature of working relationships changed. "I warned everyone that we were in for some rough times and reminded them that we would be experiencing them together. I admitted that it would also be hard for me, and I made it clear that I wanted them to feel free to talk to me. I was completely candid and encouraged them to be honest with me. I lost some employees who didn't like the new relationships, but I'm convinced that being open helped me understand my employees better, and it gave them a feeling of support."

Like encouraging participation, sharing power and information has its risks. It allows for the possibility that people will reject, criticize, or otherwise challenge what the leader has to say or, more broadly, her authority. Also, employees get frustrated when leaders listen to–but ultimately reject–their ideas. Because information is a source of power, leaders who share it can be seen as naive or needing to be liked. The interviewees have experienced some of these downsides but find the positives overwhelming.

Enhance the self-worth of others. One of the by-products of sharing information and encouraging participation is that employees feel important. During the interviews, the women leaders discussed other ways they build a feeling of self-worth in coworkers and subordinates. They talked about giving others credit and praise and sending small signals of recognition. Most important, they expressed how they refrain from asserting their own superiority, which asserts the inferiority of others. All those I interviewed expressed clear aversion to behavior that sets them apart from others in the company–reserved parking places, separate dining facilities, pulling rank.

Examples of sharing and giving credit to others abound. Caplan, who has been the subject of scores of media reports hailing her innovation of labeling vegetables so consumers know what they are and how to cook them, originally got the idea from a farmer. She said that whenever someone raises the subject, she credits the farmer and downplays her role. Rothman is among the many note-writers: when someone does something out of the ordinary, she writes them a personal note to tell them she noticed. Like many of the women I interviewed, she said she also makes a point of acknowledging good work by talking about it in front of others.

> Women leaders don't covet formal authority. They have learned to lead without it.

Bolstering coworkers and subordinates is especially important in businesses and jobs that tend to be hard on a person's ego. Investment banking is one example because of the long hours, high pressures, intense competition, and inevitability that some deals will fail. One interviewee in investment banking hosts dinners for her division, gives out gag gifts as party favors, passes out M&Ms at meetings, and throws parties "to celebrate ourselves." These things, she said, balance the anxiety that permeates the environment.

Rynd compensates for the negativity inherent in preparing tax returns: "In my business we have something called a query sheet, where the person who reviews the tax return writes down everything that needs to be corrected. Criticism is built into the system. But at the end of every review, I always include a positive comment–your work paper technique looked good, I appreciate the fact that you got this done on time, or something like that. It seems trivial, but it's one way to remind people that I recognize their good work and not just their shortcomings."

Energize others. The women leaders spoke of their enthusiasm for work and how they spread their en-

thusiasm around to make work a challenge that is exhilarating and fun. The women leaders talked about it in those terms and claimed to use their enthusiasm to get others excited. As Rothman said, "There is rarely a person I can't motivate."

Enthusiasm was a dominant theme throughout the interviews. In computer consulting: "Because this business is on the forefront of technology, I'm sort of evangelistic about it, and I want other people to be as excited as I am." In venture capital: "You have to have a head of steam." In executive search: "Getting people excited is an important way to influence those you have no control over." Or in managing sports arenas: "My enthusiasm gets others excited. I infuse them with energy and make them see that even boring jobs contribute to the fun of working in a celebrity business."

Enthusiasm can sometimes be misunderstood. In conservative professions like investment banking, such an upbeat leadership style can be interpreted as cheerleading and can undermine credibility. In many cases, the women said they won and preserved their credibility by achieving results that could be measured easily. One of the women acknowledged that her colleagues don't understand or like her leadership style and have called it cheerleading. "But," she added, "in this business you get credibility from what you produce, and they love the profits I generate." While energy and enthusiasm can inspire some, it doesn't work for everyone. Even Rothman conceded, "Not everyone has a flame that can be lit."

Paths of Least Resistance

Many of the women I interviewed said the behaviors and beliefs that underlie their leadership style come naturally to them. I attribute this to two things: their socialization and the career paths they have chosen. Although socialization patterns and career paths are changing, the average age of the men and women who responded to the survey is 51 – old enough to have had experiences that differed *because* of gender.

Until the 1960s, men and women received different signals about what was expected of them. To summarize a subject that many experts have explored in depth, women have been expected to be wives, mothers, community volunteers, teachers, and nurses. In all these roles, they are supposed to be cooperative, supportive, understanding, gentle, and to provide service to others. They are to derive satisfaction and a sense of self-esteem from helping others, including their spouses. While men have had to appear to be competitive, strong, tough, decisive, and in control, women have been allowed to be cooperative, emotional, supportive, and vulnerable. This may explain why women today are more likely than men to be interactive leaders.

Men and women have also had different career opportunities. Women were not expected to have careers, or at least not the same kinds of careers as men, so they either pursued different jobs or were simply denied opportunities men had. Women's career tracks have usually not included long series of organizational positions with formal authority and control of resources. Many women had their first work experiences outside the home as volunteers. While some of the challenges they faced as managers in volunteer organizations are the same as those in any business, in many ways, leading volunteers is different because of the absence of concrete rewards like pay and promotion.

As women entered the business world, they tended to find themselves in positions consistent with the roles they played at home: in staff positions rather than in line positions, supporting the work of others, and in functions like communications or human resources where they had relatively small budgets and few people reporting directly to them.

The fact that most women have lacked formal authority over others and control over resources means that by default they have had to find other ways to accomplish their work. As it turns out, the behaviors that were natural and/or socially acceptable for them have been highly successful in at least some managerial settings.

What came easily to women turned out to be a survival tactic. Although leaders often begin their careers doing what comes naturally and what fits within the constraints of the job, they also develop their skills and styles over time. The women's use of interactive leadership has its roots in socialization, and the women interviewees firmly believe that it benefits their organizations. Through the course of their careers, they have gained conviction that their style is effective. In fact, for some, it was their own success that caused them to formulate their philosophies about what motivates people, how to make good decisions, and what it takes to maximize business performance.

They now have formal authority and control over vast resources, but still they see sharing power and information as an asset rather than a liability. They believe that although pay and promotion are necessary tools of management, what people really want is to feel that they are contributing to a higher purpose and that they have the opportunity as individuals to learn and grow. The women believe that employees

and peers perform better when they feel they are part of an organization and can share in its success. Allowing them to get involved and to work to their potential is a way of maximizing their contributions and using human resources most efficiently.

Another Kind of Diversity

The IWF survey shows that a nontraditional leadership style can be effective in organizations that accept it. This lesson comes especially hard to those who think of the corporate world as a game of survival of the fittest, where the fittest is always the strongest, toughest, most decisive, and powerful. Such a workplace seems to favor leaders who control people by controlling resources, and by controlling people, gain control of more resources. Asking for information and sharing decision-making power can be seen as serious disadvantages, but what is a disadvantage under one set of circumstances is an advantage under another. The "best" leadership style depends on the organizational context.

Only one of the women interviewees is in a traditional, large-scale company. More typically, the women's organizations are medium-sized and tend to have experienced fast growth and fast change. They demand performance and/or have a high proportion of professional workers. These organizations seem to create opportunities for women and are hospitable to those who use a nontraditional management style.

The degree of growth or change in an organization is an important factor in creating opportunities for women. When change is rampant, everything is up for grabs, and crises are frequent. Crises are generally not desirable, but they do create opportunities for people to prove themselves. Many of the women interviewees said they got their first break because their organizations were in turmoil.

Fast-changing environments also play havoc with tradition. Coming up through the ranks and being part of an established network is no longer important. What is important is how you perform. Also, managers in such environments are open to new solutions, new structures, and new ways of leading.

The fact that many of the women respondents are in organizations that have clear performance standards suggests that they have gained credibility and legitimacy by achieving results. In investment banking, venture capital, accounting, and executive placement, for instance, individual performance is easy to measure.

A high proportion of young professional workers – increasingly typical of organizations – is also a factor in some women's success. Young, educated professionals impose special requirements on their organizations. They demand to participate and contribute. In some cases, they have knowledge or talents their bosses don't have. If they are good performers, they have many employment options. It is easy to imagine that these professionals will respond to leaders who are inclusive and open, who enhance the self-worth of others, and who create a fun work environment. Interactive leaders are likely to win the cooperation needed to achieve their goals.

Interactive leadership has proved to be effective, perhaps even advantageous, in organizations in which the women I interviewed have succeeded. As the work force increasingly demands participation and the economic environment increasingly requires rapid change, interactive leadership may emerge as the management style of choice for many organizations. For interactive leadership to take root more broadly, however, organizations must be willing to question the notion that the traditional command-and-control leadership style that has brought success in earlier decades is the only way to get results. This may be hard in some organizations, especially those with long histories of male-oriented, command-and-control leadership. Changing these organizations will not be easy. The fact that women are more likely than men to be interactive leaders raises the risk that these companies will perceive interactive leadership as "feminine" and automatically resist it.

Linking interactive leadership directly to being female is a mistake. We know that women are capable of making their way through corporations by adhering to the traditional corporate model and that they can wield power in ways similar to men. Indeed, some women may prefer that style. We also know from the survey findings that some men use the transformational leadership style.

Large, established organizations should expand their definition of effective leadership. If they were to do that, several things might happen, including the disappearance of the glass ceiling and the creation of a wider path for all sorts of executives – men and women – to attain positions of leadership. Widening the path will free potential leaders to lead in ways that play to their individual strengths. Then the newly recognized interactive leadership style can be valued and rewarded as highly as the command-and-control style has been for decades. By valuing a diversity of leadership styles, organizations will find the strength and flexibility to survive in a highly competitive, increasingly diverse economic environment.

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Appendix D

State-Sponsored Loan Guarantee Programs

STATE-SPONSORED LOAN-GUARANTEE PROGRAMS--FROM NASDA DIRECTORY

State	Program	Guidelines: Below Mkt. Rates	Guidelines: Mfg[1] Only	Guidelines: Small Bus. Only	Volume[2]: No.	Volume[2]: Amount	Volume[2]: Year
CA	E.D. Loan Program	Y	N	N	12	$ 3,600,000	84-85
	Sudden Economic Dislocation	Y	N	N	6	1,800,000	84-85
	Innovation Development Loans	Y	N	N	4	900,000	84-85
CN	Various Programs	-	-	-	11	800,000	84-85
FL	Community Development Support	Y	Y	Y			
HI	Capital Loan Program	Y	Y	Y	15	1,800,000	85
	Invention Development Loans	Y	N	N	0		
IL	Fixed-rate Financing	?	N	Y	?	2,600,000	?
	IDFA Direct Loans	Y	Y	N	17	1,500,000	84
IN	Indiana Development Fund	Y	Y	N	15	2,750,000	84-85 AVG
KY	Development Finance Authority	Y	Y	N	42	8,100,000	85
LA	Minority Business Dev. Authority	?	?	?	6	240,000	81-85 AVG
MD	Small Business Development Finance	N	N	N	19	1,970,000	85
MI	Strategic Fund	Y[3]	Y	N			
MN	Minnesota Fund	Y	Y	N	11	14,000,000	85
MO	Industry Development Board	Y	Y	N	?	500,000	85
MT	Linked Deposit Program	Y	N	N	3	700,000	86
NV	Revolving Loans	N	N	N	4	300,000	86
NJ	Economic Development Authority	Y	N	N	25	5,000,000	85
NY	Rural Development Loans	Y	N	N			
OH	Economic Development Financing	Y	N	N	45	32,000,000	81-85 AVG
	Linked Deposit	Y	N	N	236	133,000,000	85
OK	Ind. Finance Authority	?	Y	N	7	1,700,000	84
OR	Port Revolving Fund	Y	Y	N	7	1,700,000	77-85 AVG

STATE-SPONSORED LOAN GUARANTEE PROGRAMS--FROM NASDA DIRECTORY

State	Program	Volume		
		No.	Amount	Year
CA	Small Business Loan Guarantee	260	11,400,000	84-85
CT	Mortgage Insurance Program	4	3,400,000	84-85
IN	Economic Development Commission Loan Guarantee			
LA	Minority Business Development Authority	12	900,000	81-85
MD	Conventional Loan Insurance	13	3,700,000	85
MI	Strategic Fund - Loan Loss Reserve			
MS	Small Business Guaranty Loan Program			
ME	Small Business Loan Guarantee	40	600,000	83 Avg
MO	Industrial Development Board	?	300,000	85 Avg
MT	Economic Development Board	0	0	84-86
NH	Industrial Development Authority	0	0	
NJ	IDB Guarantees	14	9,600,000	85
VT	Industrial Development Authority Guarantees	0	0	85
VA	IDB Working Capital Guarantee	?		

State	Program	Guidelines: Below Mkt. Rates	Guidelines: Mfg[1] Only	Guidelines: Small Bus. Only	Volume[2]: No.	Volume[2]: Amount	Volume[2]: Year
	Business Development Fund	Y	Y	N	10	900,000	82-85 AVG
PA	Industrial Development Authority	Y	Y	N	99	39,800,000	85
	Minority Business Dev. Authority	Y	N	N	28	2,400,000	85
	Capital Loan Fund	Y	Y	N	78	3,800,000	85
RI	Business Development Fund	Y[3]	Y	N			
	Small Business Revolving	Y	Y	Y			
SC	Jobs & Economic Development	Y	Y	Y	37?		
TX	Rural Loan Fund	Y	Y	Y	17?		
VT	Industrial Development Authority	Y	Y	N	32	2,700,000	85
	Vt Job Start	Y	N	Y	20?	100,000	85
WV	Economic Development Authority	?	Y	N	38	30,600,000	85

[1] Manufacturing and related businesses, including programs designating a variety of types of businesses along with manufacturing.

[2] Approximate volume as reported in NASDA directory. AVG indicates average loan volume for programs reporting multi-year totals. Total for most recent year may be higher than shown because of tendency of programs to grow with experience.

[3] Below market rates offered in certain instances.

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Appendix E

A Profile of Seed Capital Funds

and

"No Seeds, No Trees"

No Seeds, No Trees: A Profile of Seed Capital Funds

by Michael Greene

Increasing evidence suggests that the present system of seed capital financing does not work adequately in poorer communities or for those technology and job creating ventures that do not offer the 20–40 percent rate of return needed to elicit financing from venture capitalists. Consequently, many potentially viable enterprises are never formed and additonal avenues of job creation and income are foreclosed, particularly for those communities most in need. It is in this context that an increasing number of states, localities, and organizations are considering the start-up of new seed capital institutions. Drawing on the experience of existing institutions can play an important role in this process.

We define seed capital as the small sums of money invested at the early stage of product or process development which enables the recipient to prove a concept, prepare business plans, undertake market studies, and otherwise develop their product or service. Seed capital does not require immediate repayment and may take the form of equity, royalty arrangements, patiently-structured debt, or other similar investment vehicles.

Seed capital investments can be viewed as falling into three different categories—small (under $50,000), medium ($50,000–$500,000), and large ($500,000+). Within the small category is a distinct class of enterprises which generally require less than $10,000 to enter the germination process. Microbusinesses (less than 5 employees) often fall into this class.

Three major sources of customary initial financing for new ventures are:

1. *Personal Savings, Family, Friends, and Associates:* Evidence indicates that the vast majority of initial financing is provided by personal savings and local sources. These sources account for anywhere between 60 to 80 percent of initial financing for new ventures.
2. *Informal Risk Capital Investors:* Similar to the family, friends, and associates network, informal risk capital investors are primarily local individuals who use their wealth for seed and start-up capital investing. This risk capital market is characterized by a lack of financial intermediaries and, as a result, these "business angels" tend to be fairly inconspicuous. Angels usually provide risk capital in the medium range, with the average investment being approximately $50,000.
3. *Venture Capitalists:* Albert Shapero of Ohio State University estimates that less than five hundred firms a year actually receive start-up funding from the venture capital community, only one-third of whose investments go to start-ups. Furthermore, approximately two-thirds of venture capital investments go to technology related ventures, and over 70 percent are concentrated in the states of California, New York, and Massachusetts. Venture capital investments average in the $500,000+ range.

Several problems give rise to the existence of a seed capital gap. Among these problems are:

- *Inequitable Distribution of Wealth:* Clearly, low-income communities are at a relative disadvantage in tapping the network of family, friends, and associates for capitalizing new ventures.
- *Unorganized and Informal Risk Capital Markets:* The informality of the "business angel" market makes it difficult for investors to identify investment opportunities. Consequently, this pool of risk capital may be underutilized and potential matches between individual investors and entrepreneurs may never occur.
- *Lack of Risk Pooling Mechanisms:* Supplying seed capital is a very risky undertaking. Risk pooling—that is, spreading the risks and gains of investing over a larger number of investors—can reduce some of the risks inherent in seed financing. Currently, the absence of risk pooling hampers the flow of seed monies.
- *Excessive Transaction and Information Costs:* Transfers of capital consumes both time and professional resources. Transaction costs are often fixed, that is, they do not change with the dollar size of the transaction. The result is a bias against the smaller deals which make up seed and start-up

investing. Information costs are also higher since a portfolio of many small investments requires more information and greater access to potential investment candidates.

These four problems suggest some actions that policymakers can take to increase the flow of capital to new ventures:

- *Establish Seed Capital Institutions:* Policymakers should explore the option of directly establishing seed capital institutions. Initially, monies should be provided in small amounts, focusing on the $1,000–$10,000 range.
- *Explore the Use of Tax Incentives to Increase the Availability of Risk Capital:* One approach is to allow investors who supply seed and start-up capital to certain enterprises or in certain communities to utilize "investment expensing" and take a tax deduction equal to the amount of their investments. States can also explore the granting of personal income tax credits for investments in small and new enterprises and reducing the state tax on capital gains resulting from investments in new ventures.
- *Establish Business Assistance Networks to Reduce Information Costs:* One method of reducing transaction and information costs is for policymakers to take advantage of economies of scale by establishing Business Assistance Networks, designed to gather and distribute information on new and small enterprises. States could also provide small amounts of monies to existing organizations that demonstrate the capability of effectively performing this function.
- *Increase the Visibility of Business Angels:* The unorganized nature of this market effectively "hides" these investors from potential entrepreneurs. Policymakers can increase the visibility of these angels by developing a brokering mechanism to identify them and match them with entrepreneurs. Establishing a computerized data base containing profiles of informal investors and prospective entrepreneurs could serve as the starting point for identifying potential matches.
- *Explore the Use of A Public Royalty Fund to Finance New Products:* Policymakers should consider replicating Connecticut's success in providing medium sized risk capital to existing firms to develop new products. Grants could be provided in exchange for royalties on sales, thereby establishing a "patient" and self-liquidating form of financing.

The following seven profiles, excerpted from our full report, yield several important guideposts for policymakers interested in establishing seed capital institutions. Among these are:

- *Identification of Sources of Capitalization:* Possible capitalization sources include pension funds, contributions from private individuals and foundations, legislative appropriations and bond sales.
- *Establishment of Investment Terms:* "Patient" capital can be provided in a variety of ways. While equity is the most patient of capital, debt financing can be structured in such a way that it assumes a patient character.
- *Establishment of Monitoring Mechanisms:* The importance of establishing mechanisms to effectively monitor seed and start-up investments is clearly demonstrated by these profiles. The actual mechanism employed range from sitting on the Board of the financed enterprise to becoming actively involved in its daily operations.

CATEGORY I: HIGH TECH ENTERPRISES AND PRODUCT DEVELOPMENT

Connecticut Product Development Corporation (CPDC)

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Purpose: The Connecticut Product Development Corporation (CPDC) was created in 1973 by the state legislature to stimulate the development of new products and thereby create new jobs. The State Bond Commission was initially authorized to issue up to $10 million in

general obligation bonds to operate the corporation.

Terms: CPDC provides risk capital. In most cases, CPDC will provide 60 percent of the product's development costs and the company is responsible for the remainder. When a product is successfully developed and marketed, CPDC receives a return on its investment in the form of a royalty on product sales. The typical terms include a 5 percent royalty on sales of the sponsored product. Since the royalty is tied to sales, this form of financing is self-liquidating. Since its first project in 1975, CPDC has funded 60 projects, totaling $11.8 million.

Eligibility: Qualifying firms must be Connecticut-based and unable to secure conventional financing. Typically, assisted firms have annual sales below $50 million and most firms are in the range of $500,000 to $3,000,000.

Structure: Operations are directed by a Board of Directors and a three person professional staff. Entrepreneurs must submit a business plan. If the CPDC staff views the project favorably, it is recommended to the Board of Directors for approval. The Board consists of seven members appointed by the Governor. In evaluating proposals, emphasis is placed on the company's financial health, its management, and on the business plan for the new product. CPDC relies on outside consulting help in technical and financial areas in its evaluation.

Monitoring: Because CPDC provides risk capital, the entire investment can be lost if the product is never commercially sold. In order to monitor its investments, an agreement is drawn up that provides for periodic visits by the CPDC staff. In addition, audits are required to insure that funds are being utilized in accordance with agreed upon terms.

Track Record: During fiscal year 1983, CPDC's return on investment—royalty income as a percentage of total taxpayers investment—reached 19.2%, up from the 15.3% obtained in the previous year. As CPDC reaches maturity in a few years, the staff anticipates that the return on investment will be in the range of 20–25%. CPDC investments during 1983 are believed to have created approximately 500 full time jobs. Between 1975 and 1983, CPDC funded 51 projects. Of these projects, a total of seven were abandoned. The net costs of these abandoned projects amounted to $162,000 or about 3% of the total funds committed during this period.

Outreach: The program is publicized through printed literature, selective mailings, and participation in seminars.

Seed Capital Fund Grant Program

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Purpose: The Seed Capital Fund Grant Program will make investments in start-up companies needing financing for product and process development, production and/or marketing. The investment is intended to fill the gap between self-financing and formal venture capital financing. Capitalization of the fund is a result of Pennsylvania's recently passed $190 million industrial development bond-financed economic development program. $3 million has been set aside for the seed program, and $17 million will be used to establish business incubators. The program is designed to establish initially four seed capital funds, with each receiving $750,000 in state funds. At the time of investment, a minimum match of $3 of private to $1 of state funds must be accomplished.

Terms: Investments in any single firm will be less than $250,000 in any one round of financing and, ordinarily, will not exceed $500,000 in total. Prior involvement of other formal ventures capital funds should ordinarily have been less than $250,000 over the life of the firm. Priority in reviewing investment opportunities will be given to tenants of small business incubator facilities. As currently structured, the fund will be able to make both debt and equity investments.

Eligibility: Eligible businesses must have 50 or fewer employees and be independently owned and operated. Eligible enterprises include manufacturing firms, firms involved in international export-related services or mercantile ventures, and advanced technology and computer-related ventures which will increase the Commonwealth's share of domestic or international markets.

Structure: The fund will be administered by

the Ben Franklin Partnership. The Board of the Partnership will make grants to Ben Franklin Partnership Advanced Technology Centers (ATCs) or other organizations submitting an approved application to establish a privately-capitalized, regional seed capital fund. Expenditure is contingent upon application approval and certification that sufficient private capital has been raised to meet the matching requirement. It is expected that the fund will have a minimum life of seven years. Any earnings or returns from the seed capital grant monies received by an ATC shall accrue to the appropriate seed capital fund for additional investments.

Monitoring: Applicants who receive monies must submit an annual report to the Ben Franklin Partnership Board on January 15 of each year. The report will include data on the number of investments made, an update on private investment commitments to the fund, and, for each investment, information as to business location, size of the investment, type of industry, the number of jobs created, and a report on the firm's progress. In addition, the Board will semi-annually monitor the portfolio of the seed capital funds to assure that the program intent and the terms of the approved application are being fulfilled.

Track Record: Too early to evaluate. Details of the program are still being discussed. The Ben Franklin Partnership intends to establish the first regional seed capital fund early in 1985.

Outreach: The program is publicized through printed literature and selective mailings.

Minnesota Seed Capital, Inc.

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Purpose: Started in 1980, Minnesota Seed Capital, Inc. invests in the start-up of new enterprises. It is a limited partnership between 10 Minnesota based corporations, 15 business individuals and several pension funds, who provided an initial capitalization of $5 million. The limited partnership is currently trying to raise an additional $10 million from the private sector.

Terms: Minnesota Seed Capital emphasizes equity financing. In cases where debt financing is extended, it is usually convertible. The average size of the investment is $300,000.

Eligibility: An eligible enterprise must be technology-oriented, based in Minnesota, and in the early state of development.

Structure: Minnesota Seed Capital's investment activities are directed by a staff of two venture analysts and a Board of Directors. A three stage process is employed to assess potential investment opportunities. First, the entrepreneur must submit a business plan that is reviewed by the venture analyst. Second, a meeting is arranged between the analysts and those entrepreneurs that the staff deems promising. Third, the analysts perform a detailed analysis of the most promising ventures and make a determination as to whether to extend financing. Proposals are then passed on to the Board for final approval.

Monitoring: In order to monitor their investments, Minnesota Seed Capital will usually have a representative sit on the board of the financed enterprise. Additionally, periodic reports detailing financial status and progress are required. The staff emphasizes that they are not "passive investors" and are willing to become involved in assuring the success of financed enterprises.

Track Record: Since 1981, Minnesota Seed Capital has invested in eight enterprises totaling $3 million. The staff estimates that these investments have resulted in the creation of 450 jobs. One of the enterprises has gone public. As of yet, there have been no failures or defaults. A minimum 35 percent rate of return on equity transactions is expected.

Outreach: The extensive contacts that the limited partners have within the private sector enables the program to be publicized through word-of-mouth. Additionally, the staff participates in seminars and other forums to publicize the program.

CATEGORY II: COMMUNITY, WORKER-OWNED AND MICRO-BUSINESSES

Small Business Finance and Employment Training Project

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Purpose: Organized in 1977, Coastal Enterprises' major project is the Small Business Finance and Employment Training Project. The *Small Business Finance and Employment Training Project* aims to fill the "capital gap" confronting small enterprises in the Maine economy; encourage the establishment of locally-owned enterprises; and ensure that disadvantaged groups benefit from the job creation process. The current capital pool is approximately $2.5 million, with funds coming from such sources as Union Mutual Life Insurance, the Ford Foundation, and various churches.

Terms: Twelve businesses have received funding through the project, with most loans falling into the $25,000 to $300,000 range. Debt financing is subordinated, fixed rate, slightly below market, and repayable in five years. The project is willing to consider and make equity investments.

Eligibility: An eligible small business must feature: local ownership, wages that meet current industry averages, fringe benefits for employees, value-added products, and growth potential. The typical enterprise financed is either a small manufacturer or a small fishery processor. Eligible employers must be willing to sign an Employment Training Agreement, developed with the aid of a CEI staff person, that specifies the responsibilities of all parties in relation to training. The Agreement is incorporated into the closing documents that accompany CEI's loans.

Structure: The project is operated by an eight person staff and a small board of directors. The staff is responsible for reviewing and analyzing all business proposals and forwarding a recommendation to the Investment Committee of the Board. A second analysis of the proposal is performed by the Investment Committee and submitted to the full board for final action. If the staff decides not to recommend an investment, it can direct the firm to other possible sources of funds.

Monitoring: In order to monitor the progress of the enterprise, the staff may decide to sit on the enterprise's board. In addition, the enterprise is required to submit periodic reports containing basic information on its status. In some instances, Coastal Enterprises is willing to provide technical assistance to the enterprises. As a quid pro quo for financing, an enterprise may be required to retain the services of a consultant.

Track Record: According to CEI, there have been no loan defaults. During the next five years, it is anticipated that 437 jobs will be created. CEI expects one-third of all jobs to be made accessible to disadvantaged persons.

Outreach: The program is publicized through newsletters, brochures, targeted mailings, presentations to business groups, and workshops. A business plan must be submitted for staff review.

Vermont Job Start

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Purpose: Vermont Job Start is a state-funded economic development venture aimed at very small owner-operated enterprises (micro-businesses). The program is targeted to low-income entrepreneurs who are not eligible for conventional sources of credit. Started in

1970, initial capitalization resulted from state appropriations of $477,000.

Terms: The maximum loan available is $5,000 with the average being around $3,200. Job Start does not make equity investments, but is willing to assume a subordinate debt position to encourage outside participation. Approximately 40–50 loans per year are made. Currently 120 loans are active and the present interest rate is 8.5 percent.

Eligibility: Eligible applicants must be Vermont residents, at least 18 years of age, and have a household income between $12,000 and $16,000. Additionally, applicants must not have access to traditional sources of credit.

Structure: The actual operation of the Job Start Program is centralized in the State Economic Opportunity Office (SEOO). Loan applications are reviewed and screened by the Job Start specialist. The specialist is responsible for doing the appropriate research on prospective enterprises and forwarding the best proposals to the Regional Advisory Board. The Regional Board votes on whether to fund the project and returns the proposals to SEOO for final approval. The screening and final decision-making at the state level is performed by a single staff person. While limited in his/her ability to provide technical assistance, the Job Start specialist will refer prospective borrowers to agencies providing counseling and technical assistance. Of the actual number of proposals referred to the Regional Agency Board, approximately 60–65% are approved. A State Advisory Board provides advice to the Job Start Program on eligibility criteria, interest rates, and broader policy questions.

Monitoring: In order to monitor the progress of an enterprise, Job Start requires periodic reports on the status of the venture.

Track Record: According to staff estimates, from November 1978 to January 1983, Job Start loans resulted in the creation or retention of 263.5 jobs. 85 percent of existing loans are current or fewer than 60 days delinquent. Since 1978, the program has loaned $950,000, with a loss rate of approximately 6 percent of loan funds.

Outreach: The program is publicized through selected mailings, community contacts, and various publications.

CATEGORY III: WOMEN AND MINORITY-OWNED BUSINESSES

Women's Economic Development Corporation

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Purpose: Incorporated in October 1983, the Women's Economic Development Corporation (WEDCO) assists women in achieving economic self-sufficiency through self-employment and the creation of small businesses. The First Bank Minneapolis Foundation, First Bank of Saint Paul Foundation and First Bank System Foundation have made a three year financial commitment to grant WEDCO $100,000 annually—$50,000 for its operating budget and $50,000 for its loan pool. WEDCO recently received a $150,000 grant from the McKnight Foundation. First Bank has agreed to establish a working relationship with WEDCO clients. In anticipation of possible bank financing, WEDCO assists women entrepreneurs to develop well documented business plans. WEDCO's own Loan Fund officially began operating in November 1984, with the first loan being made in December 1984.

Terms: WEDCO's Loan Fund has been designed to provide "last-resort" financing for women owned businesses it considers reasonable risks but which cannot obtain loans through traditional channels. Loans and loan guarantees made by the fund are designed partly to help the business develop a credit history. The loans will be lower than market-rate and directed toward women who are turned down by a financial institution for lack of collateral or equity.

Eligibility: Eligible applicants must be WEDCO clients, turned down by conventional sources of finance, and have no access to alternative sources of funding. The loan program will focus on the target population of unemployed or underemployed women. The maximum on most loans will be $10,000 and the majority are expected to be much smaller.

Structure: WEDCO staff assists prospective women entrepreneurs with completion of business plans plus a two year cash flow projection. Staff recommendations for loans are forwarded to a 7 person loan panel. The panel is composed of 2 individuals from WEDCO's Board of Directors. The remaining five members represent banks, financial institutions, and women entrepreneurs.

Monitoring: WEDCO plays an active role in monitoring its investments. Entrepreneurs must agree to both quarterly statements and meetings. In addition, a contract must be signed stipulating that WEDCO has the right to be involved in the ongoing management of the enterprise.

Track Record: During the first year of operation, WEDCO worked with 565 women, providing services ranging from referral to other agencies to full scale technical assistance with business plans and loan packaging. It helped 20 women's businesses obtain bank loans that otherwise would have been considered too high a risk, either because there was no collateral or because the loan amount was too small.

Outreach: The program is publicized through newspaper articles, staff activities, and literature printed by First Bank.

Community Initiatives Consortium

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Purpose: Started in 1981, the *Community Initiatives Consortium* (CIC) is a group of nine twin cities life and health insurance companies, whose major goals are to provide financing to minority and female-owned firms and to extend credit to small businesses turned down by conventional sources. Capitalization is based on annual contributions from the participating insurance companies. The actual size of the contribution depends on the insurance company's size.

Terms: Most loans fall into the $100,000 to $150,000 range. The terms of the loans are flexible and often involve below market interest rates, with repayment extending up to ten years. In some cases, CIC is willing to provide subordinated debt. The consortium is willing to consider equity financing, with the exact details being dependent upon the status of the enterprise.

Eligibility: Eligibility criteria for CIC loans include an expectation that borrowing businesses have exhausted other sources of capital. While not an absolute requirement, the CIC specifically hopes to help minority-owned businesses, or businesses run by handicapped people or women. Enterprises must have the potential to result in job creation or retention and borrowers must have been rejected by conventional sources.

Structure: CIC is currently administered by the consulting firm of Tom Watson and Associates. The three person staff of Watson and Associates does a preliminary review of submitted business plans and forwards them to the Investment Committee of CIC. The Investment Committee performs a thorough analysis and determines whether a project should be financed. Should the business need it, CIC will arrange for technical assistance.

Monitoring: In order to monitor its investments, CIC requires periodic reports detailing financial status and progress.

Track Record: In the past three years, CIC has made 28 loans totaling more than $3.5 million. Since 1983, it is estimated that these loans have resulted in 400–500 jobs being created or retained. The consortium has helped to finance restaurants, manufacturers, cleaning businesses, construction companies, a bindery, a pharmacy, a dentist and a bakery. Two out of the 28 ventures have failed, yielding a current failure rate of 7.1 percent. Another venture also appears ready to fail. In dollars, the failures have resulted in a loss of $150,000—4 percent of $3.5 million invested.

Outreach: To publicize the program, CIC communicates with local community development corporations, banks, and the chamber of commerce. ■

Michael Green is a Research Associate at the Corporation for Enterprise Development. Copies of the full report from which this article is excerpted are available from CFED for $5.00.

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